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April 24, 1972

RAILWAY AGE

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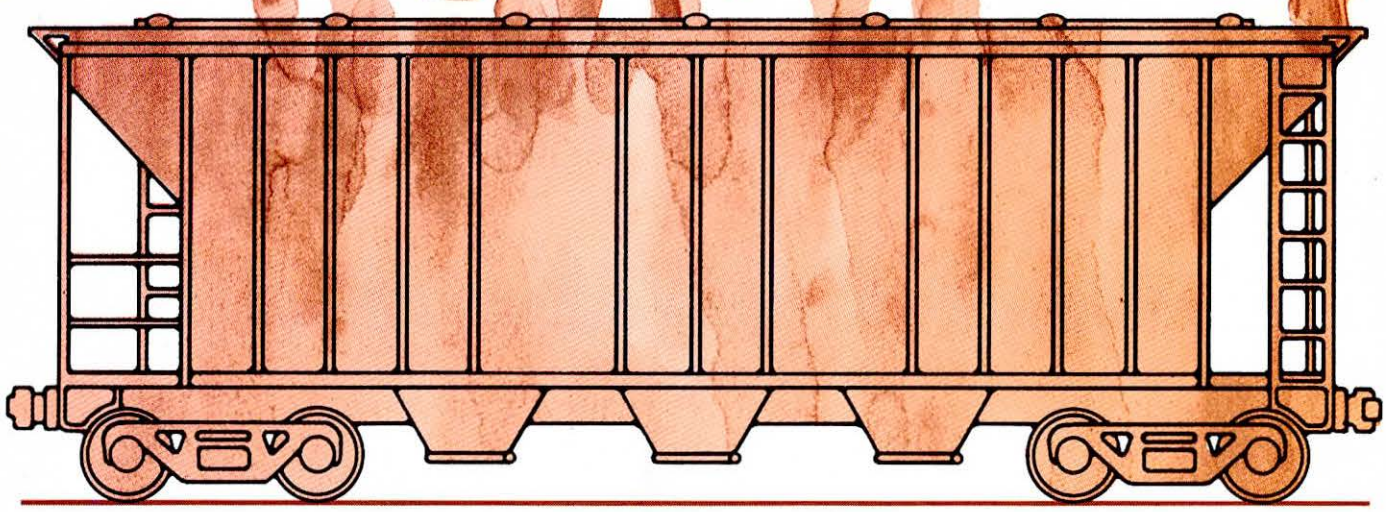

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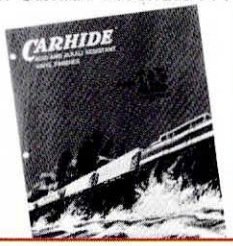

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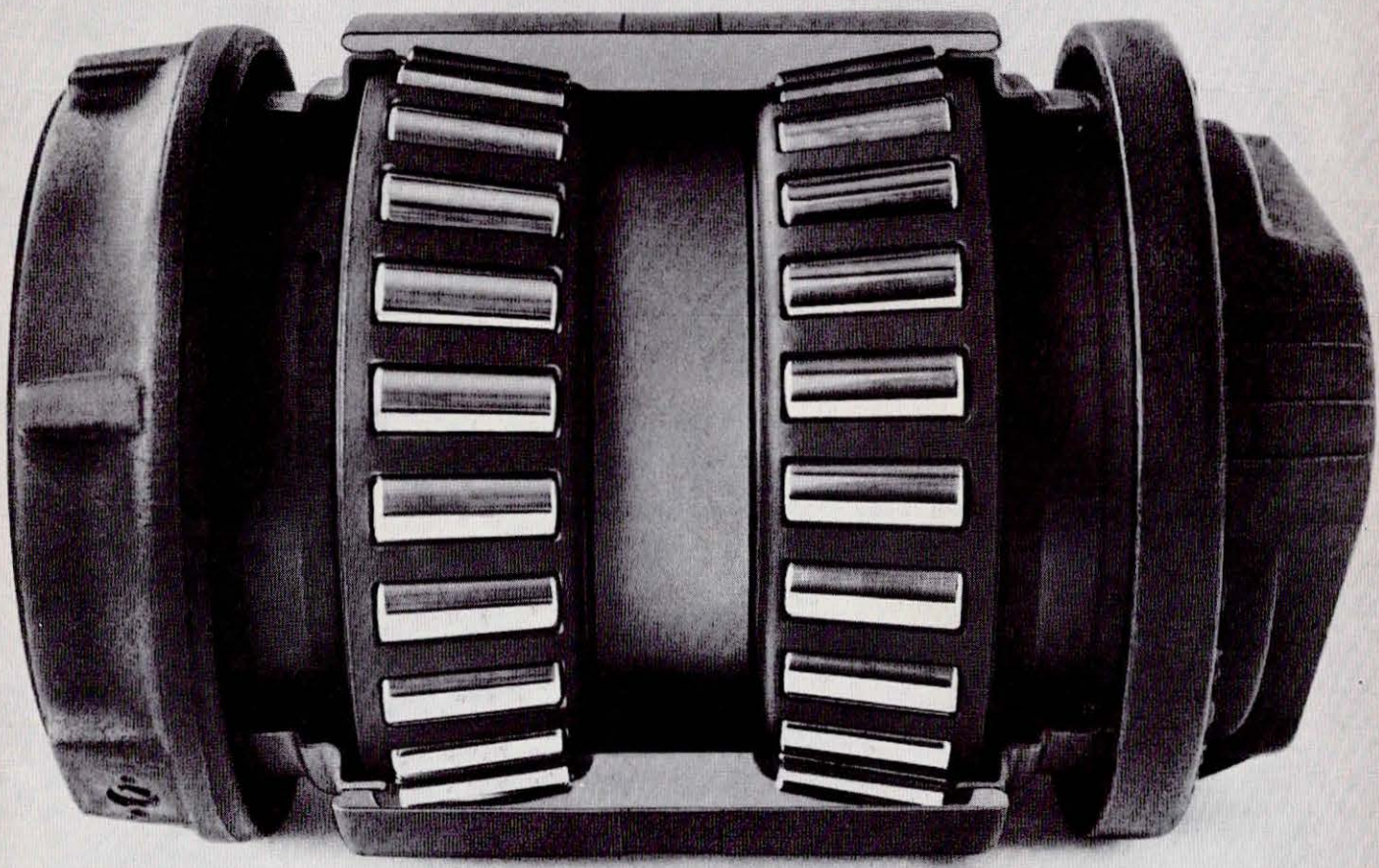

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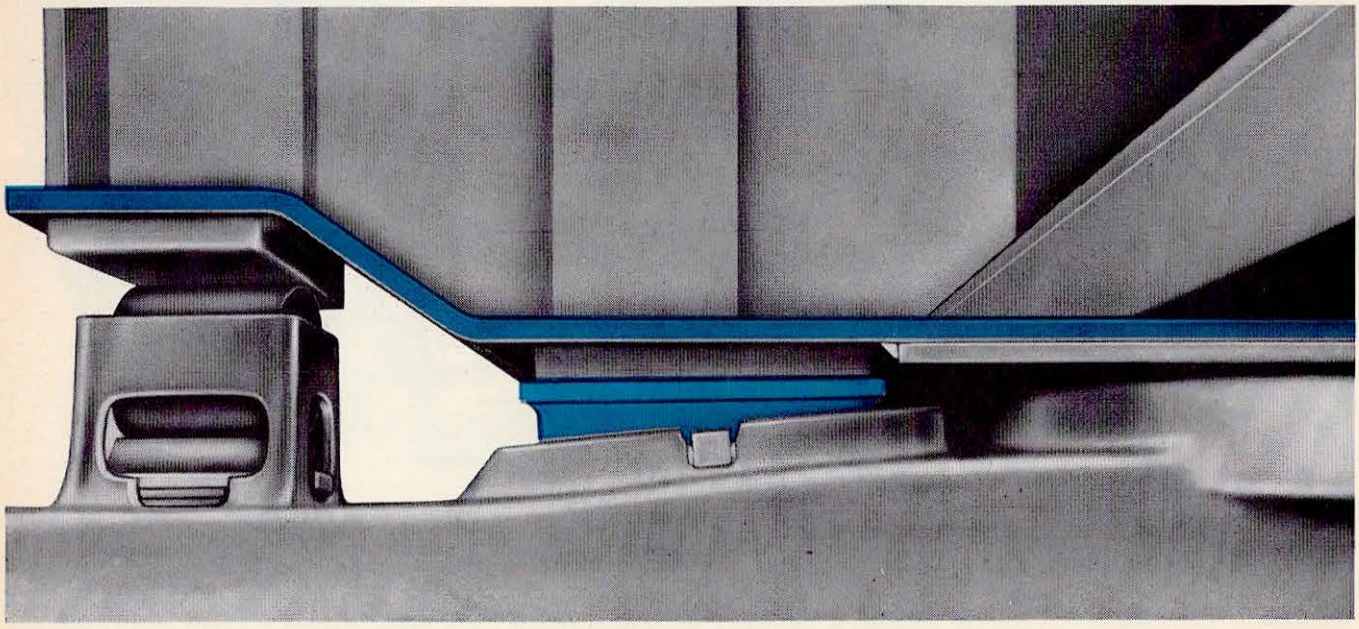

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RAILWAY AGE

April 24, 1972 • Vol. 172 No. 8

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Inside

LUTHER MILLER

A DIALOGUE BEGINS

In submitting two major labor stories for this issue of Railway Age, Senior Editor Gus Welty memoed: "In all my years of trying to make heads, tails or something of labor/management affairs, there have been only a few times when I have felt really good.

"One of these times came at the height of the work-rules fight when a high-placed guy in labor told me that there were only two papers in which he thought labor could get its side presented fairly. One was Railway Age—that 'voice of management.' And there was the time when, within the space of a week or so, I got rather sharp letters from two top-type guys. One on the management side and one on the labor side. Both bawled me out for being partial to the other.

"And another came just this week, when I reviewed my conversations with Bill Dempsey and Al Chesser."

Welty's conversations with new NRLC President Dempsey and new UTU President Chesser are reported in the two-part article beginning on page 40. Read it. Perhaps you will discern, as our senior editor did, the beginning of an important dialogue.

CAR SUPPLY

In the old days, when you wanted to write a story on freight-car supply you talked to lumber shippers in the West, grain shippers in the Midwest and merchandise-freight shippers everywhere. You still do that—as Fred Houser did in researching this issue's cover story. But you find the really big story breaking in Washington.

Not only are the AAR, the ICC, and the DOT all in Washington, and all playing increasingly important roles in resolving the questions of car supply and demand. Congress is also there, and it is in Congress that the big car-supply story of the year—perhaps of the decade—is being written.

For months, Congress has been studying ways to help the railroads (not through subsidy, but through loan guarantees of one form or another) find the money to renew their rolling-stock fleets. The railroads want either the individual-railroad loan-guarantees provided in both S.1731 and a similar Administration bill; or the RFC-like corporation which the Surface Transportation Act would create. In any event, they want to retain control of their car fleet.

A shipper/labor coalition pushed hard for Fastcor, which would vest control of the fleet in outside hands among other objectionable features; that having died, the same coalition has now proposed something similar, and even more objectionable: the Rolling Stock Authority described on page 26.

When will Congress finally write a bill? Perhaps by June or July. Perhaps never, the way things are now going. In any case, the real car-supply story of the year cannot be written until Congress writes its own important chapter.

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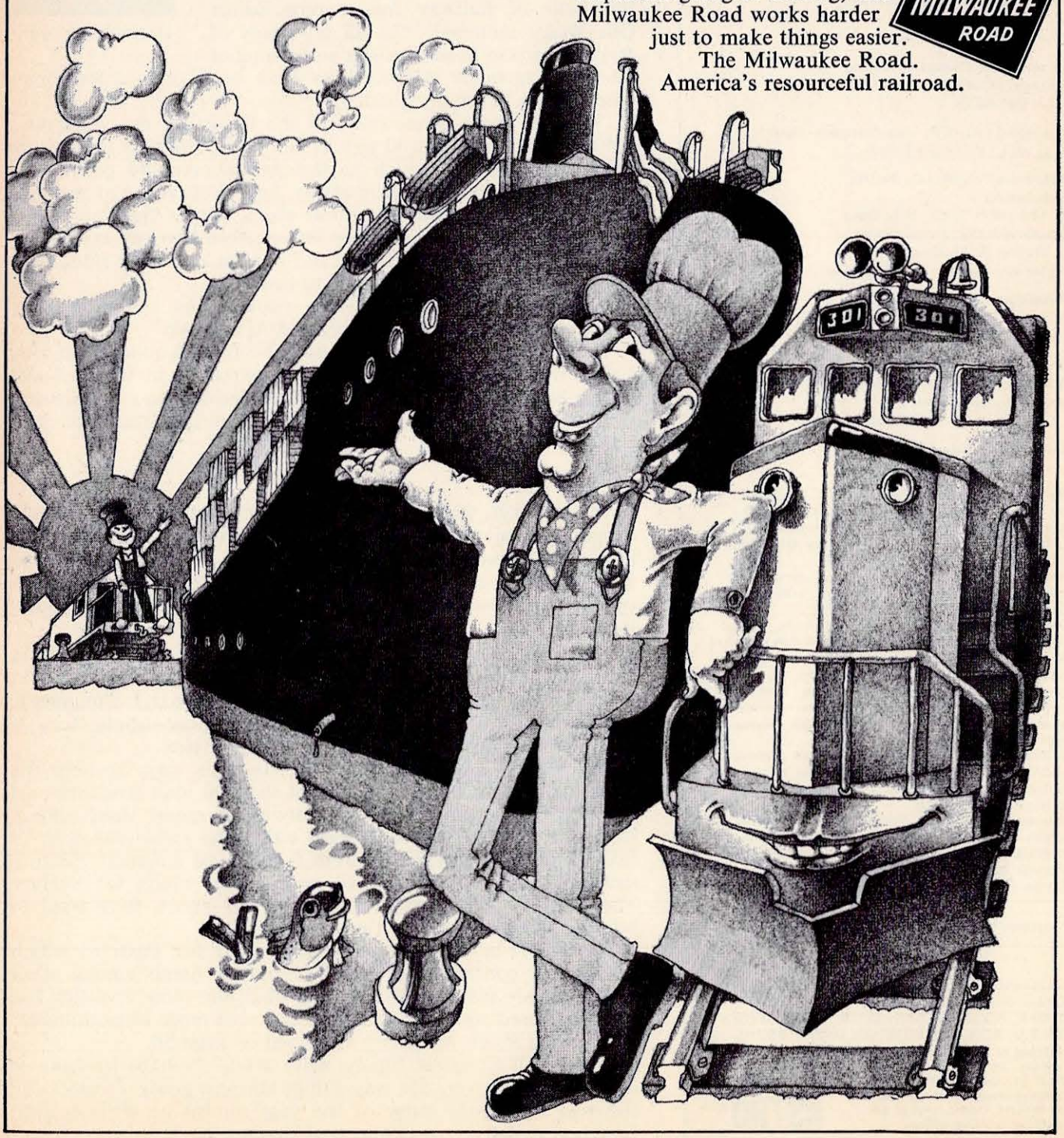

RAILWAY AGE

April 24, 1972

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The unusual cover photo showing a truck superimposed on a new box car was made by Don O'Barsky, supervisor—photo services, Pullman-Standard.

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Short and Significant

EMD SEEKS TO DOUSE DIESEL EMISSIONS

Electro-Motive Division of General Motors has announced that a program is being undertaken—"in the absence of specific governmental regulations"—to reduce exhaust emissions from its locomotive engines. Goals of the program, says B.B. Brownell, GM vice president and general manager of EMD, are: (1) Smoke-free engines by mid-1973 at the latest, and earlier on some models; and (2) significant reductions in gaseous emissions from engines in 1972, with further reductions planned for following years. He cited a number of developments already made, including exhaust gas measuring and sampling techniques and the design and test of new engine components to reduce emissions. The railroad industry itself was part of a joint study conducted last year to determine the quality of exhaust emissions from locomotives. As a result of this study, it was determined that, while locomotive engines could pass a California-type code that will be in force in 1973 for heavy-duty diesel highway vehicles, they could not meet the emission standards set for 1975.

REALCO ORDERS 2,000 TOFC TRAILERS

If piggyback and the market for piggyback equipment are moribund, don't tell Realco Services or Fruehauf—because neither, obviously, is going to believe it. Realco is placing an $11-million order with the Detroit trailer manufacturer for 2,000 high-cube TOFC trailers. The new units will replace older, standard-cube trailers which Fruehauf will take in trade, in a 12-month program in which the manufacturer's production schedule will be set to meet Realco delivery requirements.

ROANOKE SWITCHES FROM HOPPERS TO GONDOLAS

Norfolk & Western's Roanoke shops are now turning out the first production models of a 1,000-car gondola order valued at $14.5 million. Tailored for shipments of steel pipe, the 52½-ft, 100-ton-capacity cars are coming off the line at the rate of nine a day. During the gondola construction, expected to be completed by mid-September, N&W has temporarily suspended its coal hopper building program. Nearly 2,000 100-ton coal hoppers were built at Roanoke last year as part of a 4,000-car, $50.6-million order.

TRUCKERS REPORT "SHARP TURNAROUND"

Revenues of Class I and Class II motor carriers in 1971 totaled $13.7 billion, up 16.7% from about $11.7 billion in 1970, American Trucking Associations has reported. Net income after taxes rose 110.4% to $428 million, from $208 million in 1970, which in part reflected 1970 labor disputes. The gain, said ATA, showed a "sharp turnaround" for the industry.

ST. LOUIS YARD PROJECT GETS DOT GRANT

DOT on April 5 awarded a $400,000 grant to the East-West Gateway Coordinating Council of St. Louis for planning recommendations on the proposed consolidation and relocation of 37 separate rail yards used by 19 roads along the East St. Louis waterfront. The study is to be completed by Jan. 1, 1974.

ACCIDENTS, INJURIES DOWN SHARPLY IN '71

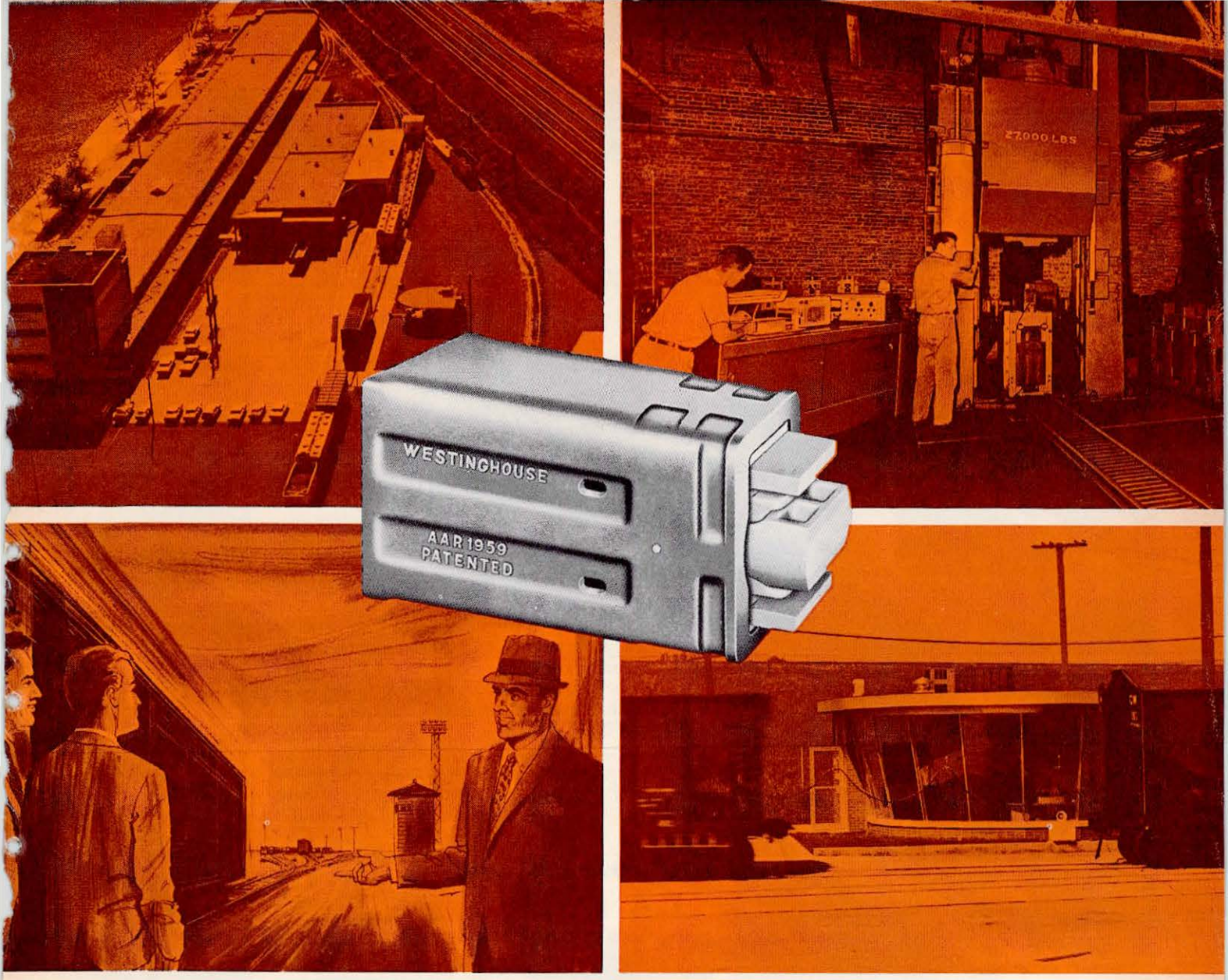
Train accidents and casualties dropped markedly last year for the second year in a row, FRA has reported. There were 7,270 rail accidents in 1971, over 10% fewer than the 8,095 in 1970, the agency said. Injuries of all sorts fell by 11.6%, while fatalities declined by 9.7%. Fatalities from rail-highway grade crossing accidents fell sharply from 1,442 in 1970 to 1,366 in 1971, a drop of 5.3%. FRA Administrator John W. Ingram expressed pleasure at the figures and said a further reduction can be achieved when the Federal Railroad Safety Act of 1970 is fully implemented.

HOUSE PANEL PROGRESSES TRANSIT BILL

A House Banking and Currency Committee subcommittee on April 13 approved a Senate-passed bill that authorizes Federal operating subsidies to transit bodies of $400 million a year for two years, sets a matching ratio of 80% Federal and 20% local for UMTA capital grants, and provides an additional $2.9 billion in contract obligational authority to the $3.1 billion already earmarked for obligation by 1975. Backers are optimistic the measure will pass the full House over White House opposition.

BRITISH RAIL BUYS TOPS SYSTEM

British Railways will invest $26 million in a Total Operations Processing System based on the TOPS system developed over a period of eight years by the Southern Pacific. A spokesman says "the main aim of the TOPS System will be to increase the efficiency of handling of the British Rail goods fleet of 300,000 wagons and it is planned that this fleet will eventually be reduced to 175,000 wagons by 1976 whilst the freight tonnage is estimated to increase from the present 200 million tons to 220 million tons." The system will become operational in 1973.



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Circle 17 on coupon page 47

PENN CENTRAL: Board 180 goes to work

It's hard to say that *any* emergency board is really important—since all a board can do is recommend solutions and since rail labor organizations seldom accept those recommendations. But if there has been a board with a special responsibility, even a special urgency, in its work it may be Emergency Board 180—the three-man panel assigned to hear the Penn Central/United Transportation Union crew-consist case.

First, of course, there is PC's unique situation—in backruptcy and declaring that it must have labor-cost relief as one of three major elements in a successful reorganization. Second—and nobody on either side is ignoring this—there is the presumption that if PC somehow wins out, other railroads will apply new pressure for crew-size changes.

Board 180 is scheduled to file its report with President Nixon by the end of April. Its hearings have gone along about as expected: (1) UTU has raised the issue of nationalization and has charged PC with an attempt to create an emergency which would require Congressional intervention; and (2) the railroad has insisted that smaller crews are both practicable and necessary and that reductions will come through attrition.

UTU has not been an advocate of nationalization (see comments by President Al H. Chesser, p. 44). But in the PC case, a leadoff spokesman for the union observed that "We are all of the view that, compared with the price that the trustees say it will take to reorganize the Penn Central, we would prefer nationalization."

PC cited an eventual saving of more than $95 million a year in labor costs, were it possible for the road to change existing rules and move toward a basic three-man crew instead of the four- and five-man crews now required. Change, PC indicated, would permit it to begin running shorter, faster and more frequent trains—without adverse effects on safety and efficiency and without substantially increasing the employee workload.

As for employee protection, Penn Central stayed with past declarations: True, 6,000 "unnecessary and unproductive" job assignments would go into a phaseout process; but about 92% of the employees whose jobs might be affected are covered by existing protective agreements and recent changes in state crew-consist laws; and PC has been willing to negotiate protective arrangements for employees not so covered.

As PC put it, all efforts by the railroad and similar efforts by the National Mediation Board to get negotiations going "were wholly unproductive, resulting in nothing except delay." UTU didn't see things the same way: PC's move, its spokesman charged, was "a premeditated effort" to provoke a strike and an emergency.

The railroad attacked the safety issue head on. As one operating officer told the board, efforts to get down to a three-man crew are "fully justified from the standpoint of safety and efficiency. . .By reduced exposure and fixing responsibility for performing specific tasks, safety will actually be improved. I have no doubt," said Assistant Vice President—Transportation R.B. Hasselman, "that operations with reduced crews will be as safe as or safer than under present practices."

PC also indicated that it was planning that "any disagreements as to the manning of crews in a manner other than the standard configuration of one conductor and one trainman, plus the engineman, will be subject to arbitration."

It's hard to say when this dispute actually began, taking into account the national effort that was made beginning in 1959 to reduce crew sizes and the agreements made by managements prior to the one that now runs PC. In specific terms, however, this one started with Section 6 notices served by PC early last June. After a series of conferences, PC said it saw no prospect of agreement and so it ended the meetings in September. The National Mediation Board came on the scene in November, at UTU's request, and another series of meetings began. Again, no agreement was reached, and last Feb. 1 the NMB proffered arbitration. PC accepted, UTU raised other questions relating to the handling of other pending matters. Finally, PC—in order to get things moving—withdrew its acceptance of arbitration, thus forcing the NMB to step aside.

Penn Central then posted notices that its proposed crew-consist rule would become effective April 1, and UTU warned that there would be retaliation. With the NMB back in, informally, a few more meetings were held, without accomplishment. Creation of the emergency board came next.

Lewis named president of Simmons-Boardman

Robert G. Lewis has been elected president of the Simmons-Boardman Publishing Corp. He will continue to serve as publisher of Railway Age, Railway Locomotives & Cars, Railway Track & Structures, Railway System Controls and as managing director of International Railway Journal.

Lewis moves up to the presidency from the office of vice president-operations. Arthur J. McGinnis, formerly president, now becomes chairman of the executive committee; he continues to hold the office of treasurer. Harry Lee Waddell, editor and publisher of Banking, which Simmons-Boardman publishes for The American Bankers Association, is chairman of the board.

R. G. Lewis

Lewis joined Simmons-Boardman 25 years ago after 12 years service with the Pennsylvania Railroad and an intermediate stint with the Bessemer & Lake Erie. After serving as associate editor of Railway Age, Lewis became director of circulation and subsequently publisher of the company's railway magazines.

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Circle 8 on coupon page 47

Takeover: "A one-way ticket..."

Is the U.S. taxpayer ready to pay $100 billion for "a one-way ticket on the Nationalization Express"? Penn Central's James R. Sullivan, assistant vice president-marketing, doesn't think so—not if the taxpayer knows the full story.

To insure that the taxpayers do know the story, railroad-industry leaders are telling it far, wide and often.

Sullivan's forum was a grain-association meeting in Chicago. Two days earlier, ACF Industries President Henry A. Correa addressed the prestigious Town Hall of California on the same subject, and subsequently carried the word to the Seattle Rotary Club. And in Washington, AAR President Stephen Ailes described for the House Transportation Subcommittee how passage of the right kind of legislation—right now—can keep railroads private and ultimately prosperous.

In outlining his case against takeover, Penn Central's Sullivan said that it might cost as much as $60 billion for the government to acquire the railroads, and another $36 billion would be needed for capital improvements over the next decade. He added that loss of taxes now paid by the railroads, plus the service of the acquisition debt and the continuing cost of deficit operation of passenger and branch-line services "may well create an additional $4 billion annual drain on the nation's pocketbook."

The record of government-owned railroads shows that "in no instance do such lines produce anything but operating deficits of from medium to massive proportions," he said.

ACF's Correa said: "I am convinced that nationalization is the worst possible cure for the problems afflicting the railroads. And yet there is a great danger that they will drift into nationalization by default, simply because the public does not understand the situation fully." Correa, who was chairman of the Railway Progress Institute in 1971, described various measures which he said would help all regulated surface common carriers. The most comprehensive of these, he noted, is the Surface Transportation Act which he pointed out has the backing of railroads, truckers and water carriers.

It was to reaffirm the railroad industry's commitment to STA that AAR President Ailes went to Capitol Hill. He was joined by former Senator George A. Smathers, now general counsel of ASTRO (America's Sound Transportation Review Organization).

Ailes told the House subcommittee that the nation's freight systems perform "an incredible task" and the railroads alone last year moved 3,700 ton-miles of freight for every person. He noted that the DOT has projected a doubling of the total volume of freight traffic in the next 10 years. "The railroad industry wants—and expects—to have a great part in that future," he said." But pressing financial problems which have hit some carriers have had, he said, a predictable effect, "a decline in the quality of service offered shippers."

AFC's HENRY CORREA tells Los Angeles meeting of pitfalls of nationalization.

An awareness of these problems caused the AAR to sponsor the creation of ASTRO, said Ailes. "During much of this period," he added, "people in the motor and water-carrier fields were also looking at their problems. And they, too, saw the need for some form of government financial aid and regulatory reform. It is this basic approach which all three of us support today."

An alternative approach, said Ailes, is nationalization—"but from the standpoint of the public this is clearly the least desirable alternative."

In Chattanooga, Tenn., on April 12, a shipper was spreading the word. J. Robert Morton, vice president-corporate transportation and distribution, Combustion Engineering Inc., Windsor, Conn., told the Southeast Advisory Board: "You have an organization capable of spreading the transportation story. . .We must set out on a 'Mission Possible' to inform the public. Be in close touch with your Congressman. Tell your neighbor. Get the word to the housewife buying lettuce at the grocery store. Tell her she too must be part of the enlightened public, talking with the people responsible for making the legislation. Don't be afraid to stand up and be counted as one who helped keep nationalization out of transportation."

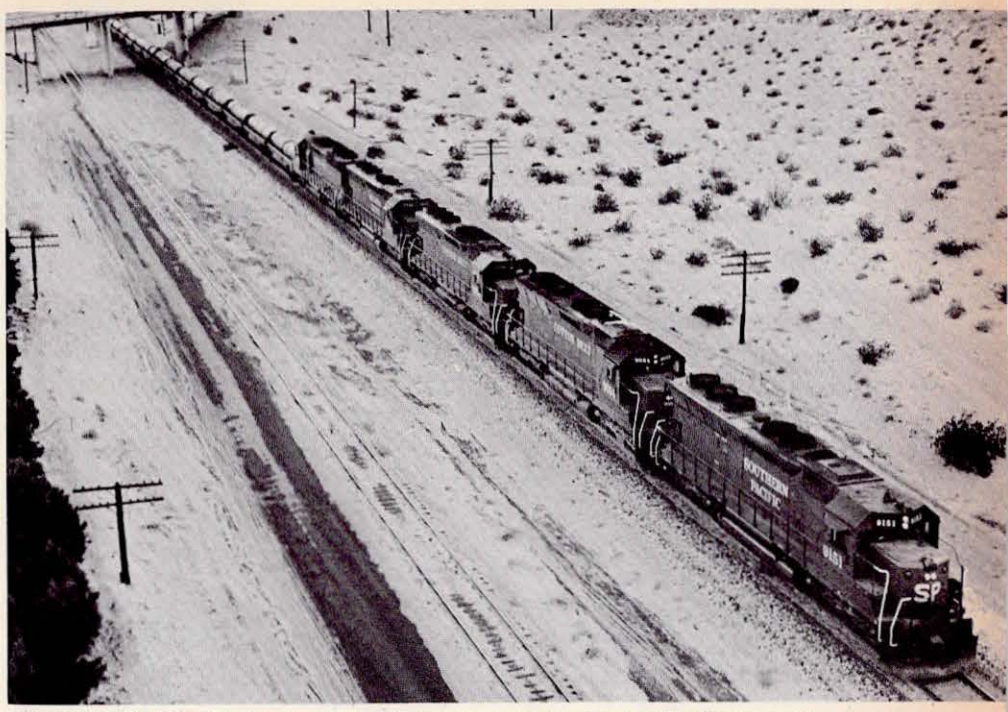
Morton suggested that "shippers, carriers, legislators and government" must be willing to compromise to arrive at workable legislation.

SP unit trains haul California steel to Midwest

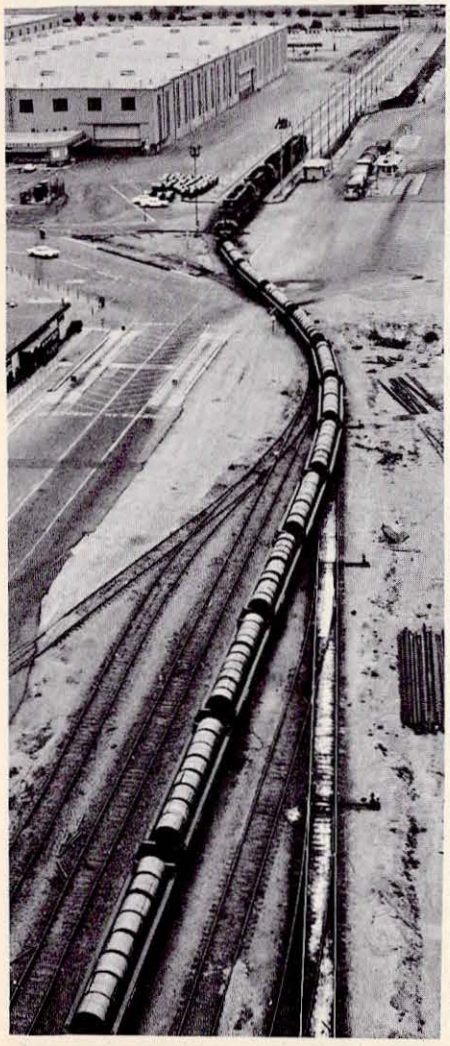
"A unique combination of production, marketing and transportation techniques" is putting California steel into General Motors' midwestern automobile plants. That's the way J.J. Carlson, president of Kaiser Steel, has described a system involving a pair of 50-car Southern Pacific unit trains which are transporting 5,000 tons of coil steel per trip from Fontana, Cal., to the Chicago area.

The 12-day roundtrip for each train is via SP to Tucumcari, N.M., then Rock Island and Milwaukee to the Chicago area. The steel is then reprocessed for movement to GM plants throughout the East. Kaiser's multi-year contract calls for shipment of 300,000 tons annually.

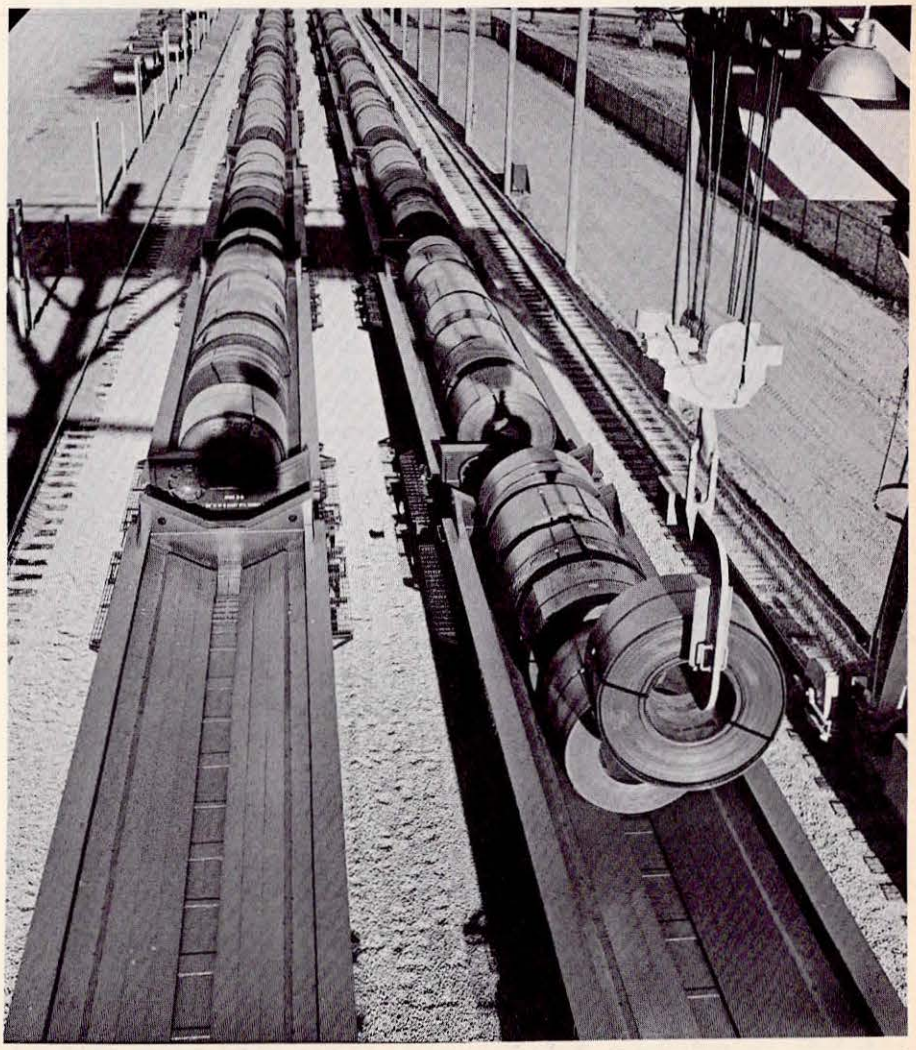
SP ordered 125 of the 100-ton 43-ft cradle cars from Thrall for the new trains. Each car will handle coils ranging from 34 to 86 inches in diameter which may weigh from 6½ to 15 tons each. The coils are loaded by a gantry crane erected over a pair of tracks adjacent to Kaiser's rolling mill. Appropriately, other SP unit trains deliver iron ore to Fontana for production of the coil steel.



FIVE TIMES MONTHLY train with 5,000-ton payload starts on 5,000-mile round trip.



FROM FONTANA eight units, 23,100 hp, are used; east of Palm Springs 18,000 hp.



GANTRY WITH C-HOOK can load train within 24 hours. Steel stocks are on ground adjacent to the pair of loading tracks at Kaise. plant. One man does the loading.

Lines on Labor

GUS WELTY

WHAT ARE THEY SAYING—REALLY?

Some people may read about Railway Age's conversations with NRLC's Bill Dempsey and UTU's Al Chesser (pages 40 and 44) and come to the conclusion that "Well, it's the same old stuff." It's true that some of the things being said have been heard before. Still, there is a powerful feeling that Dempsey and Chesser really do have something new to offer—in terms of what they think ought to be done and how to go about it. The mere presence of two new men in positions of substantial authority won't change things overnight, of course. But neither man is overly scarred from past battles. And that may help.

RELATIONSHIPS TOPSIDE—AND OUT IN THE FIELD

One point that comes through rather clearly in talks with Dempsey and Chesser is simply this: More than ever, perhaps, the over-all tone of management's relations with the operating organizations will be determined on the property. Dempsey talks of the need to have a fair application of work-rules changes agreed to in new agreements with the UTU and the BLE. Chesser talks of his desire to work things out on a continuing basis, in a non-crisis atmosphere. Chesser also raises big questions about the actual operation of management/labor relations in the field.

THERE ARE PROBLEMS—BUT THERE ARE ALSO REASONS

Without agreeing with everything Chesser says—but without blanket disagreement either—let's just say that relationships out at the working level could indeed stand improvement. Unfortunately, however, the problems are complicated ones. Take, for instance, the matter of "supervision." Union people are quick to complain that while their ranks are being thinned, railroads aren't cutting "official" classes. That overlooks the fact that the spreadout nature of operations demands a lot of field supervision; it also ignores the somewhat contradictory fact that in over-the-road operations, at least, crews do work relatively free of supervision. Then, there's the matter of money, and it also has a couple of aspects. One is the peculiar circumstance created when a supervisor takes home less than some of the people he supervises. Another has to do with the state of railroad finances generally. Just about everybody would agree that the brotherhoods have done a fine job of winning wage and benefit increases for their members. With these increases mandated by contract, and with revenue increases lagging behind, management has no choice but to cut where it can—and conflict is the almost-inevitable result.

Maybe it boils down to this: Management can't talk peace and tranquility with the organizations at top levels while field supervision is throwing curves; at the same time, the unions can't drive labor costs up and up and up without sacrificing something, somewhere.

What hope is there? Well, Dempsey and Chesser seem to have a sincere respect for each other, and Dempsey indicates the same about the other union officers he'll be dealing with. Chesser will point to a few roads where he thinks lower-level relationships are or will be improving. Both men *want* things to be better. And that's a start.

Soo jumps the gun on '73 planning

Never one to put off till tomorrow what can be done a day earlier, Soo Line has set up its 1973 new-equipment program and will soon be placing orders. On the shopping list are five 3,000-hp six-axle locomotive units, 10 cabooses and 310 freight cars—150 100-ton covered hopper cars; 100 70-ton, 50-foot box cars equipped with cushion underframe and plug doors; 50 100-ton open-top hopper cars and 10 89-foot container flat cars.

Soo's decision on '73 was influenced by a couple of factors. One was an increase in traffic. Another was "the availability. . .of investment tax credits and accelerated depreciation schedules." At this point, the '73 program involves equipment valued at more than $7.7 million. Additional orders, Soo says, "may be placed later in the year."

Soo is coming off a good 1971, into what could be an even better 1972. Revenues and net were at record-high levels in '71. Thus far in '72 results look even better. For the first two months of this year, revenues climbed by 16% and consolidated net rose from 47 cents per share last year to $1.09.

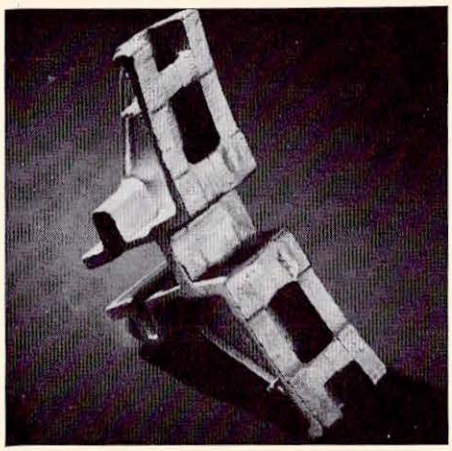
As President Leonard H. Murray put it, "We anticipate that 1972 will be a satisfactory year. . .The economy in 1972 so far has resulted in an expansion of business. There are, of course, many uncertainties still ahead, but at present many indicators evidence a strengthening of the economy that might well carry through the balance of the year."

All things are relative, however. And while Soo's rate-of-return last year (4.4%) was well above the industry average, Murray noted, "It is still an obviously inadequate return on the investment of our shareholders and demonstrates the importance of creating national transportation policies which will attract capital to the rail industry and provide a reasonable return on the investment in transportation property."

Rail bids sought for waste haulage

Canadian National and Canadian Pacific have been asked to submit bids by July 1 for hauling garbage from the city of Toronto to rural dumps. The successful bidder will get a 15-year contract starting in 1974 when the system is to become operational. Metro Toronto's plan envisages the hauling of about 400,000 tons of garbage a year, or about one quarter of the city's annual waste production.

Let's get down to facts



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MEMBER RPI

Circle 10 on coupon page 47

PC trustees file reorganization plan

A reorganization plan for Penn Central has been filed with the Federal District Court in Philadelphia by the road's trustees. The plan proposes what the trustees call a "system" type of capitalization with a single bond mortgage replacing the complex debt structure inherited from the last century. The proposed capitalization would total $2.686 billion (see the accompanying table).

The plan is based on reductions in the work force, elimination of uneconomic and unnecessary freight lines and full compensation for passenger service. All these conditions have been cited previously by the trustees as essential to reorganization on a private enterprise basis. Also basic to the plan is a substantial increase in freight traffic.

A study forecasting PC's freight traffic through 1976 (done by the firm of Temple, Barker & Sloane, consultants to the trustees), was filed as an attachment to the reorganization plan. The forecast projects a 9% increase by 1976 over freight traffic moved in 1970. Here, in part, are the reasons given by the trustees for their belief "that traffic increases of at least the order of magnitude projected by TBS are reasonable":

—"In the past 15 months the quality of PC's freight service has improved to the point where it is generally regarded by the shipping public as first-class. One of the reasons for the precipitous and disproportionate decline in PC's freight volume, particularly following the merger [of the former Pennsylvania and New York Central] was atrocious service which users of transportation avoided like the plague. In the future, PC's presently good service will be made even better. This is bound to put more tonnage on the railroad and should allow PC to grow with the economy instead of going downhill.

—"In the past, also, competitive business was driven away by PC's rigid pricing policy, which set the pattern for other railroads in the east. . .To attract new business, and to hold old business, the trustees since Jan. 1, 1971, have made more than 100 individual rate adjustments (some of them reflecting new marketing techniques) on a variety of commodities. . .The trustees intend to pursue the course of improving PC's competitive position by supporting its better service with realistic (and innovative) pricing. . .

—"Progress is also being made in the gradual elimination of traffic carried for less than cost. A detailed analysis of 1969 figures. . .showed a loss from this source aggregating $80 million using long-term variable costs. On the basis of 1970 figures, a loss of $25 million was incurred on traffic which did not earn even its short-term variable costs, thus producing a cash drain. Such losses must, of course, be eliminated. . .

—"If PC's service area were outside the northeastern region, there would be little question as to its prospects for traffic growth. But even in New England and the North Atlantic states of New York, New Jersey and Pennsylvania—where PC has 47% of its mileage—the outlook is favorable if PC, while holding its own with bulk and other traditional rail traffic, can penetrate that enormous transportation market which connects the great industrial centers—a market with hauls between 300 and 700 miles which is dominated by highway carriage. PC, with much to learn in offering the right kind of service and pricing it correctly, has already begun the attempt to penetrate it. The objective is to furnish a cheaper 'highway,' and to persuade all of the different categories of highway freight users, including regulated motor carriers, to take full advantage of it."

The trustees called the recently filed reorganization plan Part I. They provided for quarterly reassessments of scheduled progress and for completion of the plan by April 1, 1973. The trustees also indicated the likelihood of resuming partial tax payments under the plan by Oct. 1, 1972. "If it later appears," they added, "that the foregoing goals cannot be met, the trustees will propose amendments to the plan or will withdraw it."

No prediction was made as to how much each class of claimant could expect to receive in new securities. The trustees pointed out that the final size of the rail system and an evaluation of the constituent parts will not be settled until later this year. Pending claims are being carefully checked to establish appropriate priorities and to eliminate duplications.

"From the standpoint of the public interest, if reorganization could be achieved on the proposed basis," the trustees said, "the reorganized company would be left in a strong financial position for sustained future railroad operations in bad times as well as in good."

The quarterly reassessments of the conditions on which the reorganization depends are scheduled as follows:

—July 1, 1972, as to relief from "the burden of continued employment of unnecessary train service employees," and provisions for treatment of some affiliated PC companies.

—Oct. 1, 1972, establishing the size of and the specific railroad lines comprising the reorganized system "to achieve relief from the financial burden of operating freight service on uneconomic lines."

—Jan. 1, 1973, as to attaining full compensation for all intercity and commuter passenger service, "which the plan provides shall be terminated otherwise."

—Progress in meeting the fourth condition (a substantial increase in profitable freight traffic), will be shown in continuing monthly revenue reports.

The trustees said they will pursue matters concerning claims against the company which must ultimately be settled and which may require litigation. At the time of filing the reorganization plan, 26,254 claimants had filed proofs of claims totaling $3.3 billion. The trustees noted that the net aggregate liability of PC—after eliminating duplicate claims, exempted claims, amounts representing claims arising subsequent to June 21, 1970 (when PC filed for reorganization), and claims from Canadian creditors—totals about $1.6 billion. Further reports will be made by the trustees in which they will describe each separate claim and say whether they object to it. The first such report will be filed no later than next July 1.

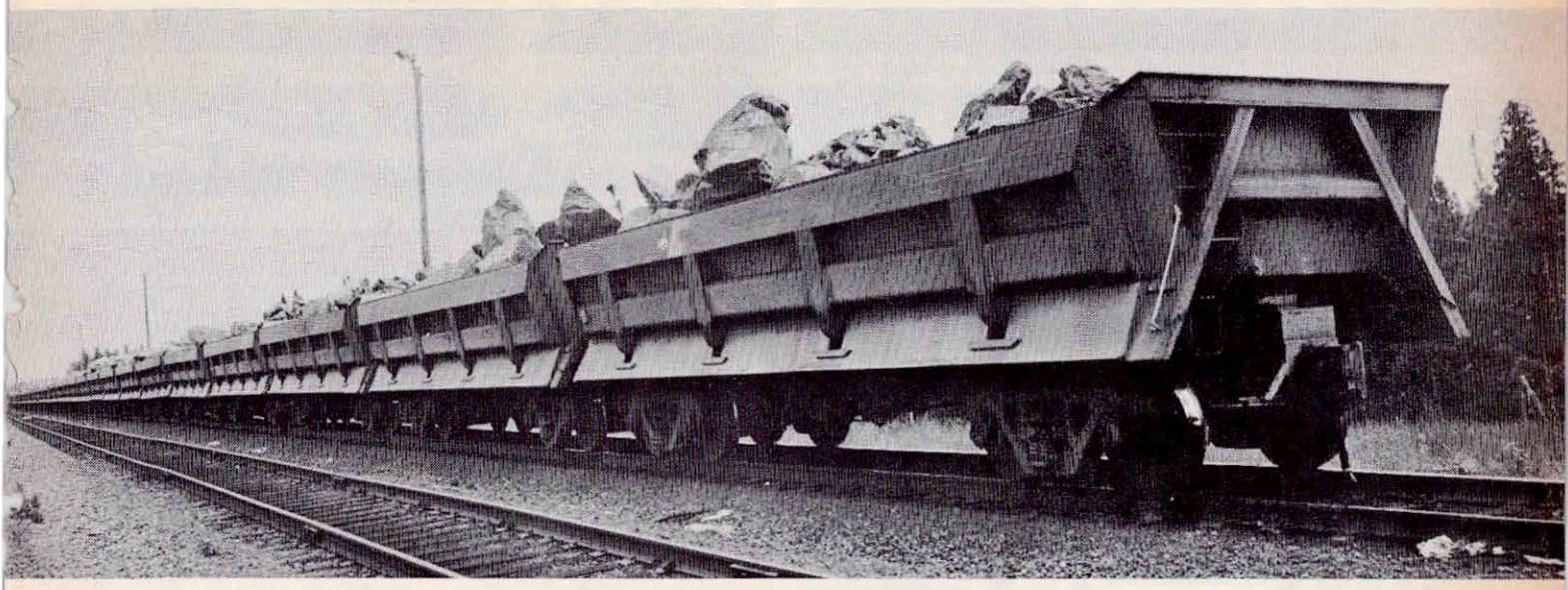
NEW PC CAPITALIZATION PROPOSED BY TRUSTEES

Trustees' certificates	$50 million
Equipment obligations*	436 million
New system mortgage bonds**	800 million
New common stock**	1,400 million
TOTAL	**$2,686 million**

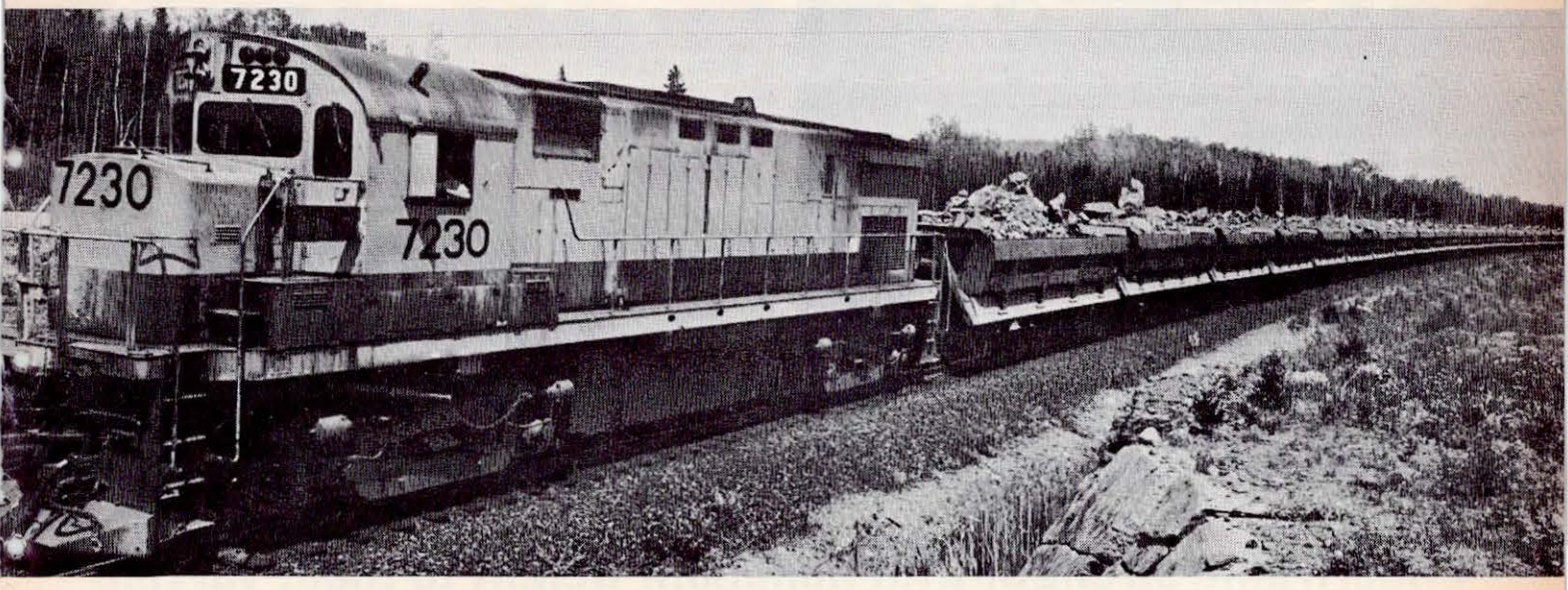
*In addition, the reorganized company would be obligated under long-term equipment leases for rentals of $132 million a year in 1976.

**Would be issued to PC creditors and other claimants in exchange for present securities and claims, as well as to security holders of subsidiaries that would be merged into the reorganized company. The value for the proposed new common stock was based on estimated net income of $176 million in 1976; the trustees anticipate no significant liability for Federal income taxes for several years after reorganization.

TACONITE HAULING:



TEST OF STRENGTH!



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Circle 11 on coupon page 47

D709

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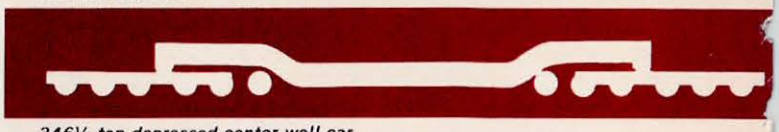
250 ton depressed center car

70 ton depressed center car

250 ton depressed center car

90 ton depressed center car



346½ ton depressed center well car

125 ton depressed center car

135 ton flat car

125 ton depressed center car

200 ton flat car

140 ton depressed center car

250 ton flat car

150 ton depressed center car

250 ton flat car

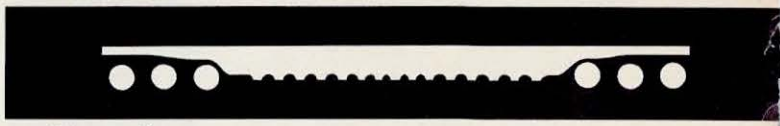
160 ton depressed center car

300 or 350 ton flat car

170 ton depressed center car

96 ton well car

200 ton depressed center car



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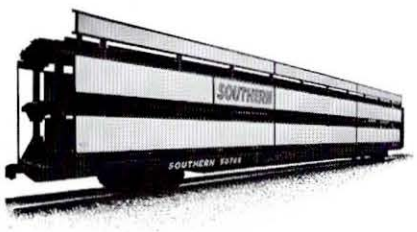

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Circle 7 on coupon page 47

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1-Year Skill Improvement Program for ELECTRICIANS: wiring diagrams, electronics, locomotive electrical maintenance.

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☐ Please send me more information on the _____ course.
☐ Please tell me what other training programs are available.

NAME _____

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CITY _____ STATE _____ ZIP _____

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SEABOARD COAST LINE RAILROAD

Circle 27 on coupon page 47

LETTERS

NATIONALIZATION

Washington, D.C.

To the Editor:

I want to add my congratulations to the train load I know you have already received on the very effective job you did in putting into proper focus the myth vs. the truth of nationalization [RA, March 27]. Your presentation is both highly credible and highly readable. It should go a long way toward stripping away the emotionalism and confusion that so often shroud this subject.

Stephen Ailes
President
Association of American Railroads

La Grange, Ill.

To the Editor:

Your treatment of the subject of nationalization was extremely good. I would only hope that our legislative people and others will somehow get to read it and understand it.

B.B. Brownell
Vice President, Electro-Motive Division
General Motors Corp.

To the Editor:

Congratulations on the fine March 27 issue on nationalization. This is a great job of reporting, and I am certain it will do worlds of good in helping prevent nationalization of our industry.

Donald T. Martin
Assistant Vice President
Seaboard Coast Line

TRANSIT

Jefferson City, Mo.

To the Editor:

I want to express my personal appreciation for your excellent treatment of the problems of rapid transit we are now facing in Missouri and elsewhere throughout the United States. (RA, April 10, p. 22).

Warren E. Hearnes
Governor of Missouri

RIO GRANDE

Washington, D.C.

To the Editor:

As a middleaged railfan-turned-newspaperman (my own description), I'd like to know how Railway Age could give such otherwise excellent coverage to the D&RGW (RA, Feb. 28) without so much as a mention of the three-foot-gauge line through the Rockies? If there's one thing that, sentimentally, sets the Rio Grande apart, that's it!

Jack Eisen
The Washington Post

Watching Washington

SPRING THAW?

REID BEDDOW

Rail sources here are expressing guarded optimism that Congress may soon move to pass major sections of the Surface Transportation Act, jointly backed by regulated motor and water carriers and rails. In this process, they see a surprise: it is now thought possible that committee approval may first occur in the House Interstate and Foreign Commerce Committee. Originally, rail legislative planners led by former Sen. George Smathers conceived that the Senate Commerce Committee would clear the bill first; and that after Senate passage, the bill would languish in the labor-dominated House committee of Chairman Harley O. Staggers. Thanks to the extraordinary energy of Rep. Brock Adams (D-Wash.), House sponsor of the bill, they now see a chance for the measure to proceed more rapidly than at first envisioned. These rail sources also say that Sen. Vance Hartke (D-Ind.), chairman of the Senate Transportation Subcommittee, has been somewhat of an obstacle to swifter Senate consideration of the bill. But now that Hartke has pulled out of the horserace for the 1972 Democratic presidential nomination, they hope for a break there, too.

A SHIPPER DETENTE

More significant than the actual course of the bill in either house of Congress, however, is the testimony of Fred H. Tolan, traffic consultant of the Pacific Northwest Traffic Board and a prominent figure in the National Industrial Traffic League, before the House Transportation Subcommittee on April 11. Tolan zeroed in on six legislative proposals which he said should have priority in this session of Congress. These were (1) an "absolute must" Freight Car Supply bill similar to rails' proposed S. 1731 and providing loan guarantees for equipment; (2) a national car information and control system similar to the $35-million study proposed by S. 1729; (3) a ban on below-cost rates (4) a ban on discriminatory state and local taxation of carrier property; (5) swifter ICC abandonment proceedings for rails, and (6) removal of some of the antitrust exemption of carrier rate bureaus. Tolan's endorsement of provisions in both Administration- and carrier-backed bills seemed to most observers to provide a workable compromise for hammering out a unified bill. And save for the last point on rate bureaus, rails (who of course want to see the fine print) were encouraged by Tolan's acceptance of many of STA's provisions.

(Last week, a new freight-car proposal—calling for a Rolling Stock Authority very similar to the now-dead Fastcor plan—was muddying the waters. Opposed by railroads, it seemed to enjoy great shipper support. But insiders felt that the shippers would ultimately support a bill acceptable to railroads.)

Shipper Tolan limned 12 other areas on which he said Congress should defer action until next year. In general, these included the more controversial aspects of both Administration- and carrier-backed bills, such as removal of the agricultural product exemption, zones of reasonableness for rates, publication of dry-bulk barge rates, and easement of rules of entry for motor carriers into interstate carriage. These, he said, needed further study.

Are railroads ready for a traffic

By **FRED HOUSER**, Mechanical Editor

A car shortage in 1972? Is that prospect more a "paper tiger" than a grim reality? Certainly much of the action on car supply taken so far in the face of a resurgent national economy has been in the areas of hot air and software.

Just as Pullman-Standard was shutting down its Bessemer, Ala., plant for lack of new car orders, both The New York Times and Business Week were agreeing that, as BW titled its story, "It really looks like the boom is here." In the face of rises in factory output, employment, capital spending (generally, not railroad) and housing starts, was the railroad industry setting the stage for a car crunch later on? Or were such software techniques as automatic car identification, AAR's TeleRail Automated Information Network (TRAIN), AAR car relocation directives and ICC car service orders destined to make a "paper tabby" out of this year's car supply problems?

Certainly hardware, in terms of cars ordered now, would be too late.

Congress continued to wrestle with a spate of transportation legislation; most of the proposals were directed in whole, or in part, at augmenting the U.S. car fleet. Fastcor, the proposed quasi-public corporation to run a $3 billion freight car fleet, was probably too similar to Amtrak and died when the rail industry opposed it. "The railroads may have thrown out the baby with the bathwater when they did that," said one Washington observer. Certainly legislative leaders have now indicated that some priorities will have to be established since it cannot be expected that there will be action on all the facets of transportation legislation covered by the likes of the Senate's S. 1730, S. 1731, S. 2841, S. 2842, S. 2362 and their counterparts in the House of Representatives.

● **The situation.** What about car supply right now? Good, from virtually all reports. Since carloadings were down by some 300,000 through the first 12 weeks of 1972, compared with 1971, this should come as no surprise.

L.J. Dorr, executive vice president of the National Industrial Traffic League, reports that it has been months since there have been complaints about car supply or railroad service. R.D. Pfahler, head of ICC's Bureau of Operations, reports virtually no criticism in some time. H. Gordon Randall, vice chairman of the AAR Car Service Division, with a measure of pride, points to complimentary letters which AAR has received from lumber shippers in the Pacific Northwest, a group often highly critical in the past.

Georgia-Pacific recently wrote to AAR: "Since the issuance of Order 12, history has been written. Shippers in the Pacific Northwest have received approximately 99% of their car requirements during February and March, 1972. In our opinion this is a major accomplishment and breaks the spring car shortage syndrome.

"We feel the adoption of a plan ($50 penalty) to enforce compliance of your car directives is a major step forward in not only solving car shortages during peak loading periods, but improved utilization of the national fleet."

Similar satisfaction has been expressed by such groups as the Pacific Northwest Shippers Advisory Board, Fibreboard Corp., Longview Fibre Co., Southwest Forest Industries, Western Wood Products Association, and Southwest Oregon Shippers' Traffic Assn.

Since September 1971, a railroad task force has been studying the feasibility of a national car information system, built around the existing information systems on various railroads. The aim would be to determine what would need to be done to provide a national system that would permit location of all cars at all times and pinpoint service breakdowns. By the end of 1971, 47 terminals were reporting car interchange information for the 66 railroads on the TRAIN network. It has been estimated that this data represents over 98% of all interchanges occurring daily between Class I railroads in the U.S. and Canada.

The AAR reports that the network is averaging 170,000 interchanges a day; 300,000 transactions have been handled on peak days. Presently 85% of these interchanges are reported within less than 96 hours.

Since March 1, AAR's Car Service Division has relied completely on reports generated by the TRAIN computer at the Washington headquarters. For a time prior to March, manual records had been kept in parallel with the machine-generated information. Says Randall: "This dependence on computers is making member roads very conscious of the importance of prompt, accurate input."

● **The time lag.** In the past there was a time lag of about six weeks in AAR's car surplus and shortage figures. That often meant a car shortage would be in advanced stages before there was a statistical indication of it in Washington. Right now TRAIN figures are within a week of being "real time." Eventually even that gap should be closed. With its data base, AAR is also aiming to develop a new capability in traffic forecasting.

For eight months the AAR has been armed with Car Hire Rule 19 which gives the Car Service Division enforcement authority when railroads fail to comply with its car distribution directives. In the past compliance had been voluntary.

To carry out this function, the AAR Board authorized reestablishment of a field force which had been wiped out in the economy drive of August 1970. This 50-man force has been put through two-week training sessions at Washington and provided with a field manual

CLASS I REVENUE FREIGHT CARS*

	New Cars Installed (previous 12 mos.)	Cars Retired (previous 12 mos.)	Cars On Order	Total Ownership
Feb. 28, 1971	54,066	58,864	24,150	1,430,645
Feb. 29, 1972	47,004	36,331	18,369	1,441,318

*Not included: Railroad-owned and controlled refrigerator-car lines, and private cars.

upturn?

which spells out the new enforcement procedures. Even violation reports are made in a form for computer input and the $50-per-car assessments are completely computerized.

Since September 1971, the Car Service Division has issued 19 Car Relocation Directives which collectively have had an average life of less than two months. All but four have dealt with box cars; the most recent, issued March 17, did cover open hoppers of such midwestern lines as Missouri Pacific and Frisco. These AAR orders are now amended to add and remove railroads, rather than cancelling and issuing complete new orders, as was the practice in the past. The aim of each Directive has been to get an owner's cars back to him, tempered in some cases with the owner's special instructions.

In addition, Car Service has been watching the condition of individual railroad car fleets, occasionally contacting them to cite bad-order ratios that could complicate car supply in months to come. Gondolas have been a particular point of interest recently.

Out of all this, there seem to be a couple of generalized observations concerning AAR activities:

—Car supply, until now, has been no particular problem because of the depressed traffic levels;

—Cars are being better utilized and better distributed as a result of the new enforcement procedures.

What about a traffic upturn? Grain shipments could put special pressures on the car fleet, and fairly soon too. There has been a large carryover of last year's harvest, due in part to the protracted port shutdowns that have affected export movements. The possibility that docks might again be struck has made shippers reluctant to move much grain into Atlantic and Gulf port elevators. On Jan. 1, 1972, for instance, grain on farms and in country elevators topped 9 billion bushels, up over a billion bushels from the total a year earlier.

● **Russian export.** Agriculture Secretary Earl L. Butz has just returned from Russia where he predicted that an agreement calling for yearly export of $200 million in feed grains should be completed before President Nixon visits Moscow next month. That movement could start simultaneously with the shipments of this year's harvest which starts in late May in the Southwest. Couple this with Commodity Credit Corp. moves to empty country elevators before the harvest gets into the upper Midwest by late summer and the AAR begins to look a bit apprehensively at the supply of narrow-door, 40-foot box cars.

So far this year, covered hoppers have been doing a majority of the grain hauling, with 53.6% of the carloads and 63.4% of the bushels moved in LO cars during the first quarter. While the total grain movement is down some from 1971's first quarter, a total of 121,000 loads moved in covered hoppers in those twelve weeks, compared with 149,000 loads this year. More and more elevator and port facilities are being converted to handle the covered hopper.

The AAR has also noted that increased utilization of grain box cars is expected with the recent establishment of a new charge for the first stop for grain inspection and the use of mechanical sampling at elevators. This has meant that many shippers now waive en route inspections. As the harvest progresses, obviously more box cars will be fed into the grain service pool. While covered hoppers are not distributed by the AAR, the Car Service Division does work to coordinate their usage. Said one AAR man: "If we can come through that grain movement, we would feel we were really getting somewhere."

● **Great Lakes reopening.** Since there are no prospects of coal or steel strikes, coal traffic has been running below last year's level. Open-top hoppers have been in generally adequate supply. The Great Lakes reopened last week, indicating a resumption of ore and stone shipments that should put many idle hopper cars back to work. The steel industry expects domestic shipments to run at an 8-million-ton-per month level from now through December, which should see gondolas in good demand.

Chesapeake & Ohio, Norfolk & Western and Penn Central have all taken steps to build up their gondola fleets with substantial orders now in production. These general-service-type cars come like a breath of spring after a long special-car winter to those concerned with the declining versatility of many cars in the North American fleet.

Actually, almost everyone is getting into the car supply act. Along with the AAR and Congress, the ICC and DOT's Federal Railroad Administration have been very active. Just a year ago ICC and DOT sponsored a conference on freight-car shortages at the National Academy of Sciences.

ICC at the moment has only two of its car service orders in effect. "The need for all our other orders expired last fall," explains R.D. Pfahler, director of the Bureau of Operations. That was when the AAR introduced its penalties on car distribution

● **ICC concern.** Car shortages have been

Awaiting Repairs	Serviceable Cars Owned	Average Capacity (tons)	Aggregate Capacity (tons)
80,881	349,764	68.45	96,081,000
82,867	358,631	68.56	98,817,000

Shipper/labor coalition backs Rolling Stock Authority draft

Congress may get another crack at railroad-improvement legislation—if a proposal now in draft form gets beyond that preliminary stage. This new plan—officially, Draft No. 3 in the Senate Surface Transportation Subcommittee—bears a distinct resemblance to the late Fastcor bill. It's understood that much of the support for the draft proposal comes from the same loose coalition of labor and shippers that backed Fastcor. The opposition comes from two groups that opposed Fastcor—the AAR and the RPI.

Among its major provisions:

—A Rolling Stock Authority would be created and managed initially by a board of directors similar to Fastcor's on which railroad representatives would be a minority.

—RSA will be empowered to build, purchase, own, lease and manage rolling stock. It would be able to incur debt for capital purposes, with government guarantee of RSA obligations. Principal amount of guaranteed obligations outstanding at any one time would be limited to $3 billion.

—RSA would also insure equipment obligations and administer a Federal Railroad Equipment Obligation Insurance program. As with the RSA capital program, the insurance fund would be limited to $3 billion aggregate unpaid principal amount of obligations outstanding.

—Fastcor was a freight-car bill, but the draft proposal goes beyond that, defining rolling stock to include motive power as well as "new and rebuilt freight cars of all classes except those specially fitted."

—As with Fastcor, draft plan would get the operation under way through levy of a 50-cent per-diem surcharge to raise not more than $30 million nor less than $10 million, with RSA issuing debentures to railroads in the amount of their surcharge payments.

—Like Fastcor, too, RSA would become involved in developing a national rolling stock information service.

—In the touchy area of control, RSA would start out much like Fastcor, with an 11-member board including only three railroad representatives. The Fastcor bill, however, provided that after four years a Federal panel would consider sale of Federally-owned stock. The RSA proposal requires that a Federal-sales plan be developed and presented to Congress "as soon as practicable." When all Federally-owned stock is retired, terms of the appointed directors would be ended and directors would be elected by the stockholders. Even then, however, the President would have authority to name three directors, one each representing labor, consumers and shippers.

—In its award of contracts for rolling stock building and rebuilding, RSA would follow "prevailing practices" in the railroad industry with respect to use of company shops. The guideline would be the production average for the five years preceding enactment; and, while RSA would not be required to exceed that average, neither would it be permitted to drop from it by more than 5% without providing for employee protection. Similarly, protection would be provided for employees "affected by any change in technology designed to provide for more effective use and distribution of rolling stock" if that change is caused or induced by RSA in its administration of the act.

—In the operation of its fleet, RSA would be empowered to set charges to cover expenses and an earnings factor, subject to a charge limit of 150% of the RSA cost of acquiring, owning, maintaining and operating a class of equipment. RSA would develop car-service rules for its rolling stock, but RSA would also be subject to car-service provisions under the Interstate Commerce Act.

There is, of course, no guarantee that the RSA bill—or any railroad-improvement bill—will get anywhere in a Congress that is increasingly interested in getting done with things and off to the national political conventions. Nor is there any guarantee that the RSA proposal can win broad-enough support from all the various groups that would be involved. Fastcor, it may be recalled, seemed at one point to have been modified enough to be satisfactory. But it still died.

At the same time, rail equipment orders have tumbled into one of those periodic valleys in what has been a peak-and-valley ordering pattern. Part of the problem is the over-all financial condition of the industry. But another part could be laid to the simple fact that so long as Congress is tinkering with one aid plan or another, prudent management will wait. As some observers see it, even a "no" from Congress might accomplish something.

a matter of concern to the entire ICC and Commissioner Rupert L. Murphy was put in charge of this area. For several years he has sought to get railroads to work among themselves and with their customers to anticipate car needs and gear up to meet them. There have been times when ICC, rather than taking formal action, has acted as a broker to get railroads and their customers to work together voluntarily, making unnecessary the flurry of paperwork associated with service orders and similar legal steps.

"Service disruptions are the natural result of the rail industry attempting to handle a volume that is one-quarter greater than 15 years ago with one-fourth fewer freight cars," says Commissioner Murphy. "The car shortage fluctuates, affecting only a limited number of commodities for certain periods of time, and affecting all rail traffic at other times."

Murphy cites also the shippers' responsibility. Sound and efficient car utilization can be fostered by shippers placing reasonable orders for cars; promptly billing cars once they are loaded; inspecting and diverting promptly when this is necessary; and the speedy unloading and release of cars once they have served the customer's purpose.

The main thrust of ICC's activities in improving car supply has been concentrated in four areas:

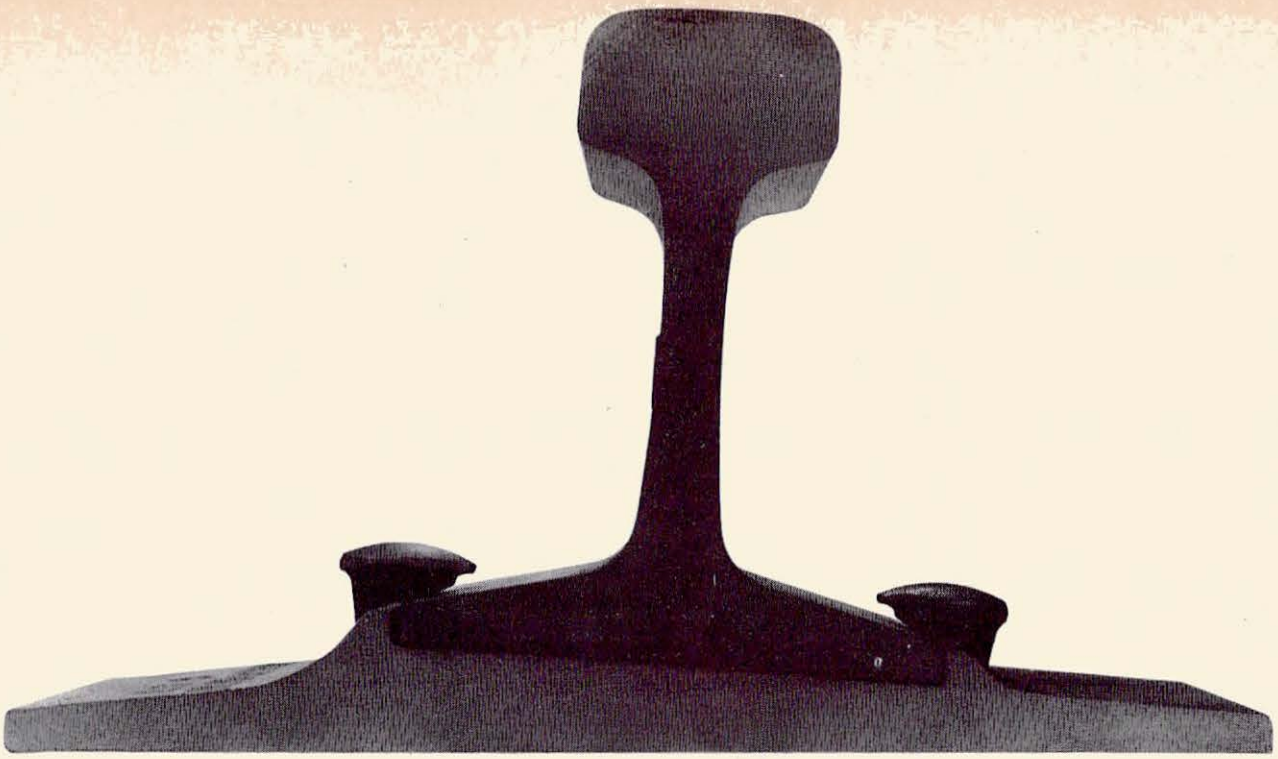
—Incentive per diem charges;
—Mandatory car service rules;
—Emergency orders;
—Voluntary programs by railroads.

The incentive per diem on plain, narrow-door box cars was in effect for the first time from September 1971 into February 1972, the ICC-established six-month interval when there is maximum usage of such cars. "It is hoped," says Murphy, "that the incentive per diem imposed during the heavy loading season will stimulate faster return of box cars to owning railroads.

"If incentive per diem received by a railroad exceeds what it pays out, the difference must be earmarked for the purchase, building or rebuilding of general-service, unequipped box cars." The first such period found even the Katy accumulating escrow funds that will probably go into a rebuilding program.

When do car shortages develop? "Usually as soon as carloadings start up," says ICC's R.D. Pfahler. "Take housing for instance. You do not have the actual housing starts, but just the acquisitions of stocks by building supply companies and right away you are into a problem with box cars and bulkhead flats.

"If the whole economy starts, up, you do not have 'pockets of poverty' in car supply, but general poverty. At times of such shortage, solution can come only in terms of increased utiliza-



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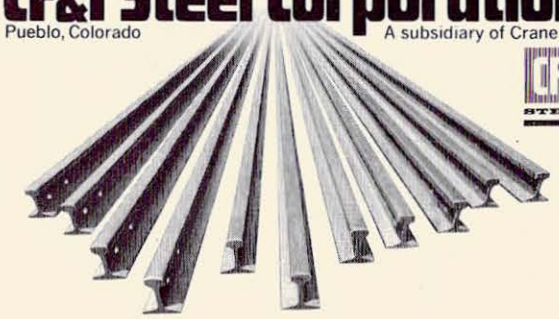


Circle 13 on coupon page 47

SHIPPERS HAVE ROLE IN ASSURING CAR SUPPLY

tion because new cars cannot be built in time," says Pfahler. One compensation is that as needs increase, the discrimination of car users goes down. They are willing to accept car configurations and car conditions that would be wholly unacceptable in periods of surplus.

● **General-service cars.** The declining numbers of general-service box cars to fill this role is the matter of primary concern throughout the ICC. These general service cars must take up the slack in grain hauling as the covered hopper fleet is built up. Similarly, these box cars will be accepted in periods of shortage by shippers who normally would use cushioned or loader-equipped cars. Unanswered is exactly *what* will become of these cars when the covered hopper and cushioned-car fleets are built up.

Of long standing is the claim by western roads that they supply the cars for their eastern connections. However, ICC finds that this refers to box cars and that frequently the reverse condition obtains with respect to hopper cars and gondolas. Summing up, Commissioner Murphy sees the railroad industry "with an overriding interest in maximizing individual, as opposed to joint profits, and failing to pool its interests in the management of and investment in the nation's rolling stock." Shippers, he says, have accentuated the problem "by delaying loading or unloading, and using freight-cars for storage."

Last month ICC again cautioned shippers that railroads are obligated to assess and collect demurrage and other detention charges which may be applicable because of delays in loading, unloading, reconsignment and failure to completely clear cars in unloading. ICC has found that failure to remove dunnage from cars is only part of the problem; restrictions on burning and dumping around industries had tended to make freight cars handy disposal vehicles for all manner of trash. Since cars may be returned on demurrage for removal of such material, the practice has declined. In some cases railroads have reported a dramatic reduction in activity at some of their cleaning tracks. Some such facilities have been closed entirely.

● **The "big picture."** ICC's 46 field agents and the small Washington staff are carefully watching such local conditions and also attempting to see the "big picture" in car supply. The government's position is that it wants everyone treated fairly and wants to be assured that each rail customer gets a fair share of cars that is as large as it is possible to make it.

With the prospect of some Federal legislation that would provide means for expanding the freight-car fleet, railroads have been understandably reluctant to order if it might be done at lower cost a little later on. However, the price of an idle carbuilding industry must also be considered.

Several years ago, ICC examined the mechanics of a slowdown in freight car orders. It was found that the real problem was with car component suppliers. Obviously these industries would shut down before the carbuilders who were using their parts in the assembly of cars. The component manufacturers would lose highly skilled people and often divert their production to unrelated fields. With an upsurge in car orders, there was no possibility of resuming production in carbuilders' facilities until their suppliers could again be geared up to produce railroad parts. Must this process always be repeated?

Actually, orders have not stopped completely as some industry spokesmen may have indicated. A total of 5,905 new cars were ordered from carbuilders and railroad shops in the first two months of 1972, down about 17% as compared with the same 1971 period. Since March 1, Southern Pacific has ordered 1,700 wide-door box cars from Paccar (new name for Pacific Car & Foundry); Colorado & Southern has ordered 100 bulkhead flats from Thrall; Santa Fe has ordered 100 Conditionaire covered hoppers from ACF; Trailer Train has purchased 338 piggyback cars from ACF, Bethlehem and Pullman-Standard; and Penn Central has announced a lease for 350 new cars—250 insulated boxes to be built by Fruit Growers Express and 100 Airslide covered hoppers from General American.

Significant railroad capital programs are in limbo awaiting Congressional action. Meanwhile, traffic may move up faster than railroads can handle it. ■

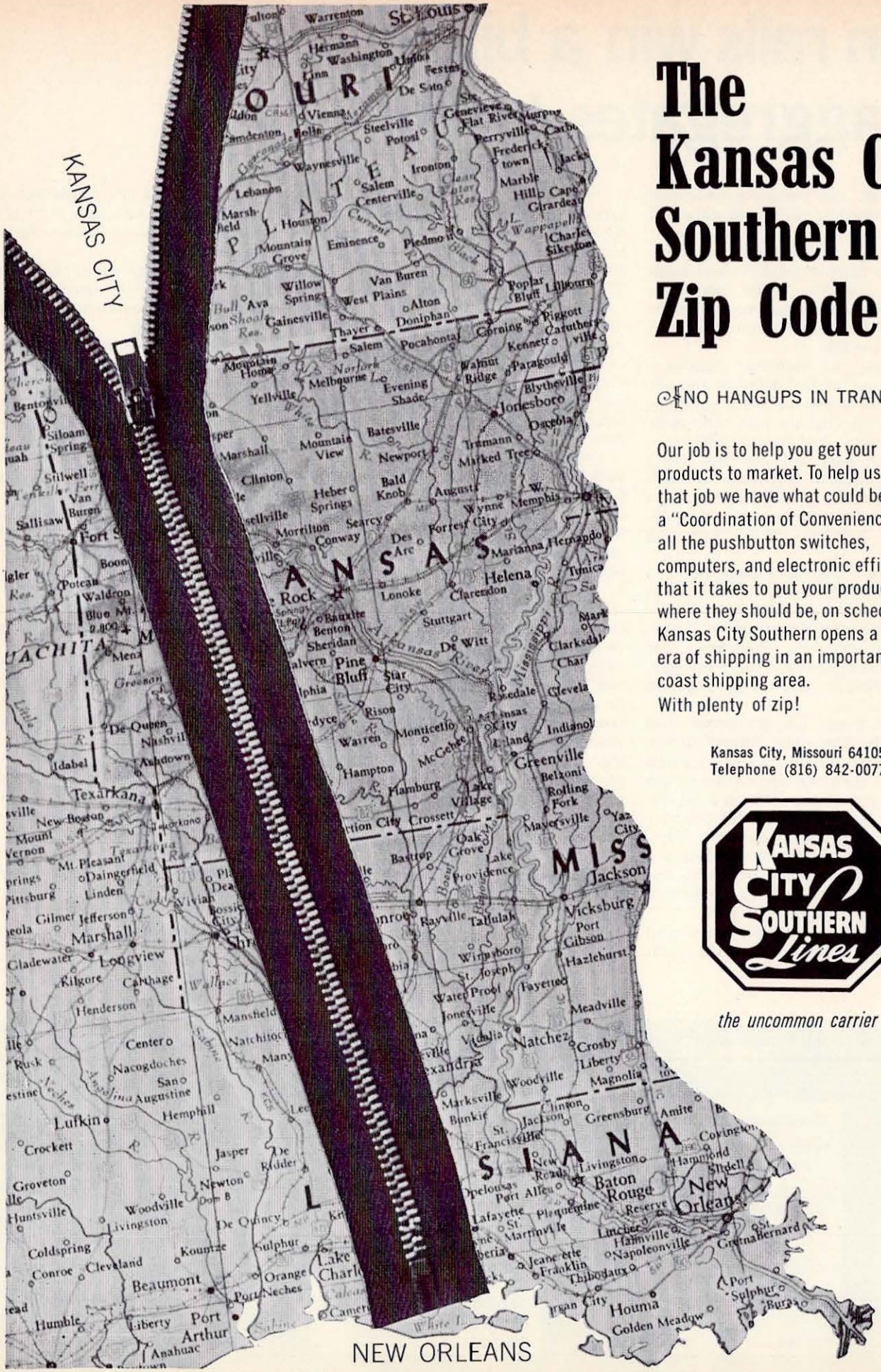
The rebuild-leaseback route

In times when order backlogs have gotten low and few new freight cars were being ordered, some carbuilders have turned to repair and rebuilding. Others, such as Berwick Forge & Fabricating, Chicago Freight Car, Southern Iron & Equipment, U.S. Railway Equipment, have relied heavily on car rebuilding in good times and bad.

Recently, U.S. Railway has been making a presentation, "Purchase-Rebuild-Leaseback Program," at the headquarters of various railroads. Each railroad's car situation is developed from existing statistics and presented visually, along with trends and opportunities for action involving specific types of cars and particular groups of cars. Before-and-after cost and benefit analyses are made.

The presentation concept was developed by U.S. Railway's new General Manager Dick Barney and Vice President-Sales Ralph Bell. It is made to a railroad's top officers and planners from the traffic, mechanical and finance departments. Says Barney: "We realize that any plan must benefit the entire railroad in order to be successful, and we think this program satisfies that objective. The key is flexibility. Each railroad has a different situation in terms of idle cars, shop capacity and traffic needs. Our aim is to bring the possibilities to their attention and then to put together a program to best fit their situation."

U.S. Railway purchases, for cash, a group of specific railroad-owned cars at an agreed-upon price. The cash is immediately available to the railroad. The cars are then rebuilt to the railroad's specification at the USRE plant in Washington, Ind. When they roll out, they are leased back in virtually new condition. Such reconstruction means that they begin to earn substantially more in per diem and enhance on-line car supply while cutting maintenance costs. The plan can augment new car purchases and on-line repair programs. The concept proves to generate excellent cash flow. "We're excited about the possibility this program offers our railroad customers," says Ralph Bell. "Our plans are to present the concept to a number of other roads in the next few months. We are attempting to stress the 'Total Approach' concept, which allows us to combine the best features of freight-car rebuilding and leasing in the most advantageous manner for each individual customer."



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Can rails win a bigger share of aggregates traffic?

There are two prevailing schools of thought regarding rail transportation of aggregates:

—Within the railroad industry, there is a sizable body of opinion which holds that (1) aggregates traffic, per se, is unprofitable and (2) this kind of traffic should be discouraged as quickly and as finally as possible.

—Outside the industry, there is a vocal (if not sizable) body of thought arguing that if present trends continue, railroads will wind up with little more than the stone, sand and gravel business, along with coal and ore. But many aggregates shippers believe the railroads are intentionally phasing out aggregates traffic through poor service and equipment, car shortages, and ever-increasing rates.

The truth lies somewhere between these viewpoints. And it was to get at the truth that a relatively new shipper organization—the Construction Aggregate Rail Shippers Conference, or CARS—commissioned a study of aggregates distribution and rail participation therein.

● **Maybe things can get better.** Not surprisingly, the study turned up evidence that both railroads and customers can profit from new approaches to this undramatic business. Perhaps a bit surprisingly, the consultants did not have to rely solely on hypotheses: They could point to working experiences of a few railroads—railroads that have had successful experimental experience with new ways to transport aggregates.

Over-all, the railroads' track-record on selected bulk commodities reads something like this:

—Between 1930 and 1969, production of bituminous coal and lignite rose from 467 million tons to 539 million tons. The share of production moved by rail stayed almost constant, 69% in 1930, almost 70% in 1969.

—Over the same period, production of sand and gravel jumped from 197 million tons to 920 million. Rail share-of-market dropped from 37.5% to 6.4%. Crushed-stone production went from 122 million tons to 853 million. Rail share-of-market fell from 26% to less than 8%.

Clearly, some bulk commodities have been more attractive than others. CARS' objective in authorizing the study and assigning it to A.T. Kearney & Company, Inc., was "to stimulate and promote constructive changes in distribution of construction aggregates by rail to meet the needs of producers and receivers and to fulfill the profit objectives of the railroad industry."

● **Car supply, service, rates.** Study results indicate that car supply—quantity and type—is one part of the problem. Service is another. The rate is another. Some of the conclusions bear out "conventional" rail-industry thinking about the sand/gravel/stone business as it is now handled. Some of the conclusions propose changes on the part of the carriers—but the need for change on the part of shippers and receivers is not overlooked or under-emphasized.

In all of this, it should be noted that the consultants remained rather coldly realistic—not forecasting anything like a return of the 1930 railroad market-share, proposing instead that a host of individual carrier/shipper/receiver variables must be taken into consideration, and still coming up with ideas as to how all three parties to a transportation transaction can gain.

Perhaps most important, the study did turn up those case-history records of successful implementation of new approaches, including:

—A 22-car movement on Southern Pacific in which shipments from one origin are alternated between two destinations. Shipper-owned aggregates cars (103-ton load) make 10 to 12 trips per month on runs of 30 to 60 miles, respectively. Per-ton rates are substantially lower than rates applying before as 10-car rates in railroad-furnished equipment. Service is rated as excellent.

—Penn Central's 8,000-ton unit-train movement of sand, also in shipper-furnished equipment, on a 21-mile haul from New Jersey pits to a barge-transfer at South Amboy.

—Chicago & North Western's "commoditrain" approach (RA, Sept. 13, 1971, p. 16), which the Kearney study describes as "the most significant new aggregate-train concept to date." With agreement from C&NW operating organizations, three-man crews operate these trains. They work across seniority districts and they do work crossing traditional road/yard lines. Begun in the 1971 shipping season, "commoditrains" will be operating again in '72.

—Elgin, Joliet & Eastern, which tailored a unit-train to service requirements, priced it satisfactorily and wound up with a movement that "replaces an undesirable truck-movement alternative."

(Continued on page 39)

The bulk-commodity business—and the railroads' share of it

	Bituminous coal, lignite		Sand and gravel		Crushed stone	
	Production (tons)	Percentage moved by rail	Production (tons)	Percentage moved by rail	Production (tons)	Percentage moved by rail
1930	467,000,000	68.9%	197,000,000	37.5%	122,000,000	25.9%
1935	373,000,000	66.9	123,000,000	24.5	81,000,000	17.3
1940	460,000,000	64.7	237,000,000	13.7	151,000,000	10.6
1945	577,000,000	68.8	195,000,000	20.6	152,000,000	14.4
1950	516,000,000	70.0	367,000,000	15.1	249,000,000	18.1
1955	464,000,000	75.9	581,000,000	10.6	467,000,000	11.9
1960	414,000,000	73.4	703,000,000	7.3	611,000,000	8.2
1965	511,000,000	68.9	877,000,000	5.4	775,000,000	6.1
1969	539,000,000	69.8	920,000,000	6.4	853,000,000	7.8

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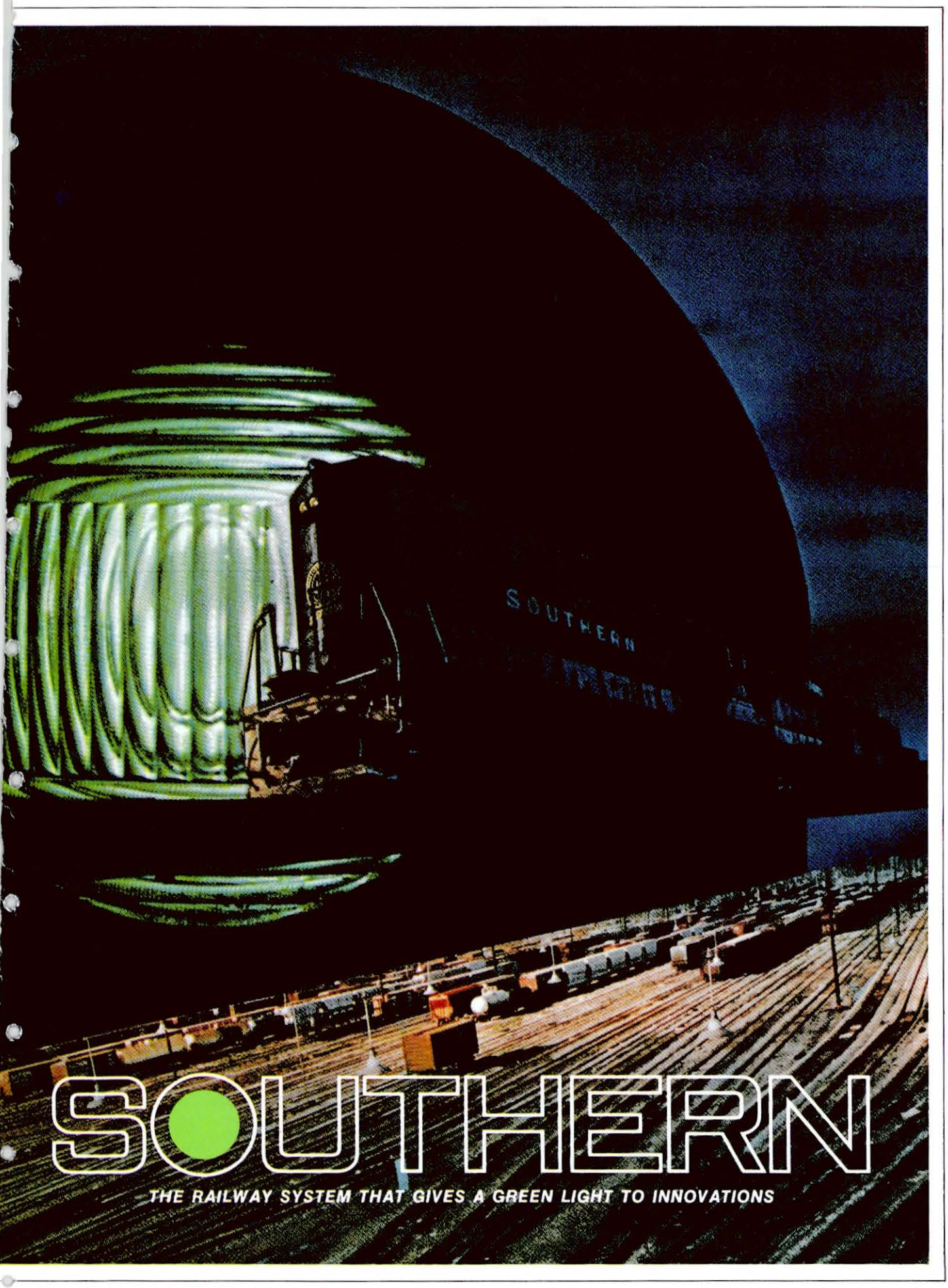
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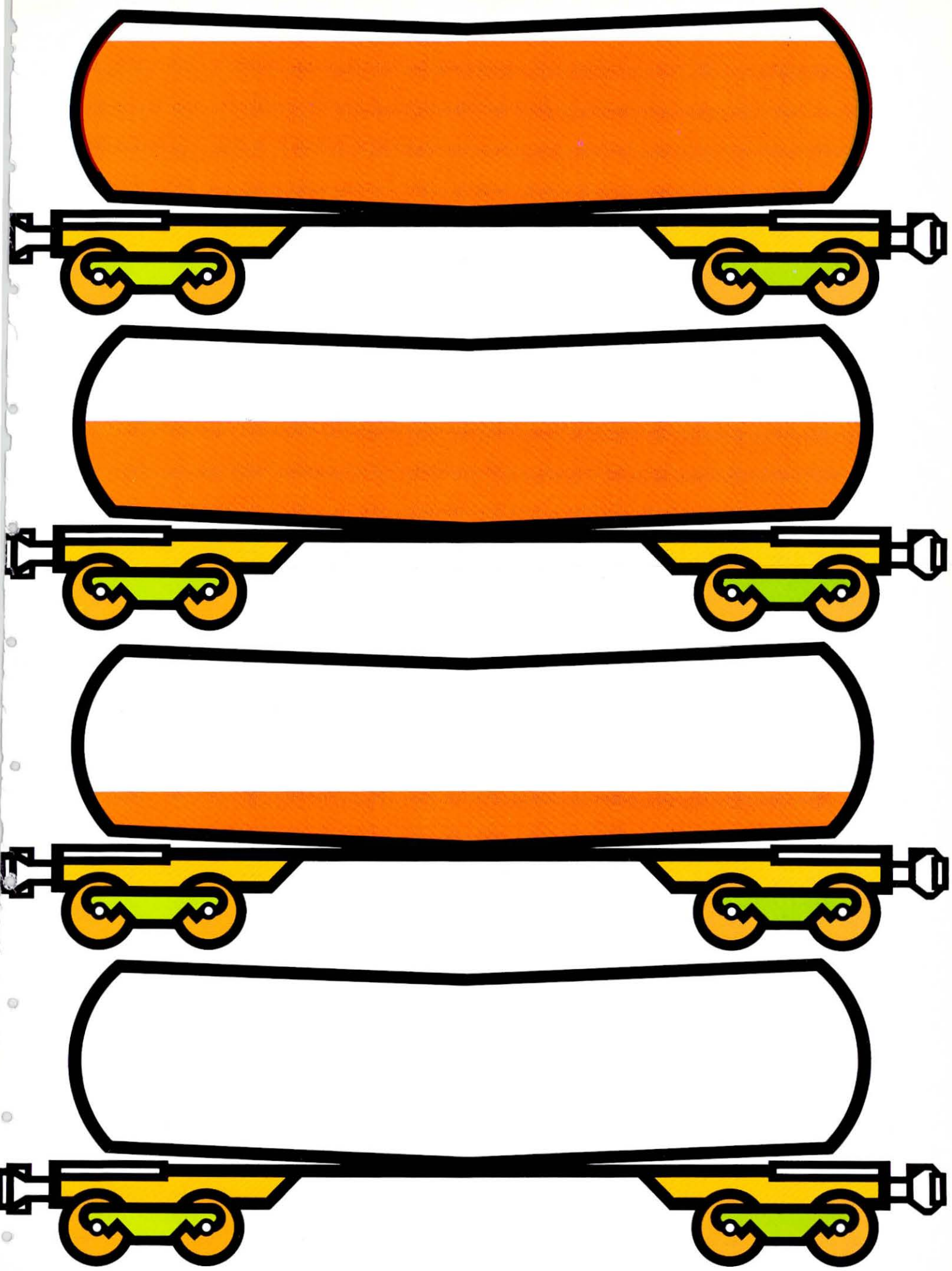

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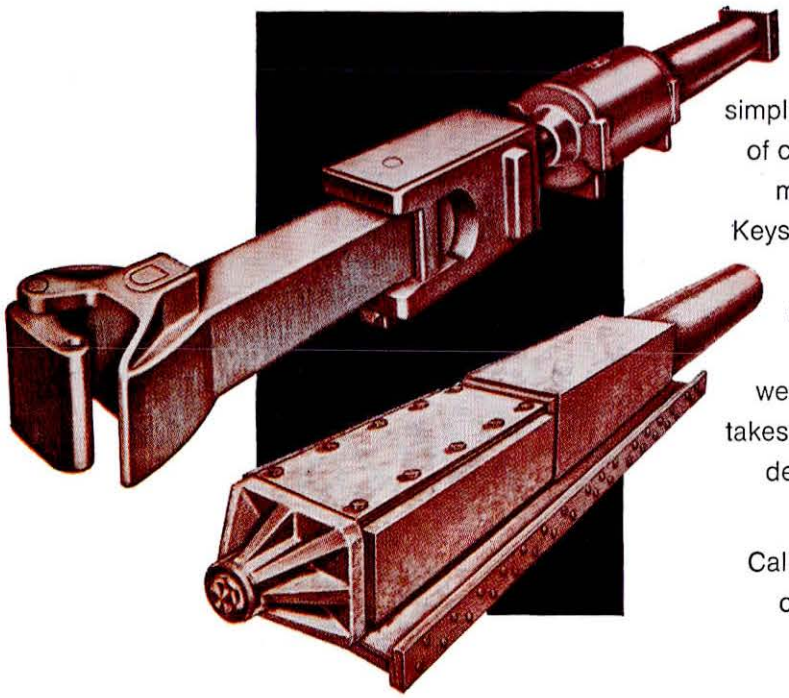

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CAN RAILS HIKE THEIR AGGREGATES TRAFFIC?

(Continued from page 30)

—Illinois Central, which used imagination to make a bad movement better. In this case, sand and gravel originating at pits about 70 miles from New Orleans moved from a short-line origin carrier onto IC, which delivered about 75% of the traffic and turned the remaining 25% over to a third carrier for final delivery. IC furnished a 350-car pool to cover the operation; average loading was 67 tons, and average turnaround was 9.4 days. The setup was changed, with IC providing a pool of 90 short-wheelbase cars that loaded 80 tons for sand, 65 tons for gravel. Six nights per week, 45 cars leave the pits for next-morning delivery; 45 empties unloaded in New Orleans leave for the pits. Turnaround time has been cut to a bit more than three days. But at the time the Kearney study was completed, application of a "success" label awaited agreement among all-concerned on rates.

These are not the only railroads credited for trying. Among the others: Central of New Jersey, Southern, Katy, Santa Fe and Rock Island.

● **Facts, and a lot of figures.** Like many such studies, the one commissioned by CARS is full of statistics, charts, tables—information which, though pertinent and valuable on an industry-wide basis, is perhaps difficult for an individual producer or receiver to assess in terms of his own situation. Kearney's consultants did, however, come to a series of conclusions—and to these recommendations:

—Railroads should restudy the economics of aggregates transportation to determine (1) unprofitable movements; (2) true variable and constant costs with consideration, other than the Form A formula, to the amount of the burden which should be charged to aggregates traffic; (3) the extent to which tariff structures are out of line with true cost characteristics; and (4) what rate structures will promote satisfactory margins and still be acceptable to the aggregates industry.

—Railroads should develop a marketing strategy which is responsive, in terms of economics and service, to the needs of the aggregates industry. At the same time, railroads should be working with rail labor organizations to get the kind of operating flexibility that will attract new business and preserve existing traffic.

—Free-time rules should be changed from 48 to 24 hours, thus reducing capital costs of car ownership per load and improving equipment utilization and availability.

—Rates should be revised to give incentive for shipping in the most efficient ways, with emphasis on use of high-capacity cars and multiple-car shipments.

—If it is not possible for the carrier to furnish cars, shippers should get "appropriate incentives to furnish their own."

—Railroads should review operating practices with an eye toward cutting costs in such areas as interchange and switching operations and in line-haul movements that involve excessive circuity or backhaul.

—Tariffs should be changed to make minimum shipment weight 90% of a car's load limit.

—Railroads should assign enough equipment to the service to minimize depletion of car pools and to reduce empty-car mileage involved in moving equipment in and out of aggregates service.

—Railroads, in conjunction with the AREA and aggregates producers, should develop standards for temporary and permanent undertrack pits.

—Rate differentials between hopper cars and gondolas should be permitted, to discourage use of general-purpose gons for aggregates traffic.

—Producers should "make deliberate efforts to improve dialog with carriers, seeking specific ways and means by which rail transportation can meet objectives of both parties."

—Individual operators should improve their own knowledge of distribution know-how.

—Producers should "reexamine [the] policy of fighting rate increases. The opportunity to withhold a protest may pave the way for more important concessions or services in other areas. More can be accomplished working together than through adversative proceedings at regulatory hearing."

—Producers should work for "a stronger unified industry effort to develop coordinated planning, research and analysis related to promoting significant distribution improvements via rail."

—Producers should work through the U.S. Bureau of Mines and their own associations to improve the entire industry's data base and to develop meaningful forecast data.

—Shippers should load cars to the full allowable limit and in most cases should "assume the work of weighing cars, since this can usually be done far more efficiently and economically by the shipper."

—Producers should (1) improve plant track layout, if possible, to reduce switching time and cost; (2) help in cutting interchange and switching costs by more careful route selection and by emphasizing heavier loading and multiple-car movement; and (3) try to smooth out distribution patterns through planning of movements on a regular basis.

—Rail customers should consider the use of shipper-owned cars.

—To get full control over transportation, producers should consider shipping on a delivered-price basis, full freight allowed.

—Receivers, too, should adopt a systems approach and try to analyze the potential impact of their investments in minimizing railroad costs.

—Receivers should increase plant storage capacity to make possible the handling of bigger shipments on a less-frequent, regularly-scheduled basis.

—Receivers should provide the kind of car-moving and -unloading equipment that will minimize damage to cars.

● **Needed: Action.** The CARS study winds up with a recommendation that carrier/shipper/receiver groups be set up in each major rate territory—with railroad operating and marketing people represented, with rail labor perhaps represented, and with shipper and receiver representatives given the authority to make decisions.

In gaining perspective on why short-haul, conventional rail aggregates moves are costly, waste car days and lose money, the consultants point out, it is interesting to speculate on what would happen to a trucker if he followed present rail procedures: He would leave his trailer at the quarry for two days to be filled. He would then couple to it and drive circuitously to point of use and drop the full trailer off for two days while the receiver unloaded it. He would then come back and pick up the empty and move it back to the quarry to repeat the cycle. To keep busy, he would need eight trailers instead of one. His suppliers and customers would all need tractors. He would undoubtedly be broke in a week.

What's the lesson here? It would seem obvious that rails should ultimately operate like trucks, substituting an engine connected to dedicated-service dump cars and moving on steel rails directly to receivers' plants where dumping would take place in a few minutes. Each car would ultimately deliver several loads a day. This will take a little doing, in the form of receiving facilities—but it's a great objective.

And what are the possibilities for getting action on a mutually beneficial basis? Kearney believes they are good. By one estimate, it might be possible—on an all-around profitable basis—for railroads to increase their present low share of the market to 15% or so over a five-to-10-year period. And 30% is not really regarded as wholly beyond the bounds of possibility. ■

LABOR/MANAGEMENT RELATIONS:

New voices at NRLC and UTU

In terms of the success or failure of U.S. railroading as it's now known, no single element is more important than the relationship between the railroads and the people who make railroads run. And in terms of that relationship, no single year may prove to be more important than 1972—as a time for making significant progress and as a time for establishing a new atmosphere around the dealings between management and employee representatives.

Perhaps nobody knows this better than two men who are now walking new career paths. One is William H. Dempsey, who left a successful practice with a prestigious law firm to become chairman of the National Railway Labor Conference. The other is Al H. Chesser, equally successful in his role as legislative director of the United Transportation Union and now president of UTU.

Railway Age talked with both men—about what is happening and about what is likely to happen. This is what they are saying.

Dempsey

Chesser

Dempsey: "Let's be reasonable"

By GUS WELTY, Senior Editor

"You can't always persuade the other fellow that you're right. But you *can* often persuade him that you're reasonable."

Nobody's professional philosophy can really be summed up in a couple of sentences. But if it were possible, those two sentences might do the trick for National Railway Labor Conference Chairman William H. Dempsey.

Dempsey comes on the scene at a key time. With the exception of the Sheet Metal Workers' International Association, all rail labor organizations have agreed to contracts stretching on to mid-1973, with a moratorium on new demands which lasts until Jan. 1, 1973. New agreements with both the Brotherhood of Locomotive Engineers and the United Transportation Union make a start on the kind of work-rules change which the railroads have been fighting for since the late 1950s. On the other hand, those agreements—some of them—came only after open warfare, with both the Brotherhood of Railroad Signalmen and UTU going on strike in '71. Too, labor's hand has been strengthened by court decisions allowing selective strikes in disputes which have been in national handling. Finally, UTU's actions last year (under then-President Charles Luna) seemed to leave NRLC in some disarray, as Luna ran around or over the Conference and eventually made his peace with a delegation of railroad presidents.

NRLC now, however, is not NRLC then. For one thing, the conference itself has been reorganized along lines which, hopefully, improve both its stature and its operating efficiency. For another, NRLC leadership has been somewhat concentrated—and in Dempsey and Vice Chairman Maynard E. Parks, the Conference has (1) men respected on both sides of the bargaining table, and (2) men with different backgrounds that provide full coverage of contract negotiation and labor law.

• **Handling the "leftovers."** One of the most important items NRLC has to deal with between now and next year is an item created by the agreements with the operating organizations: Continuing discussion of issues, mainly concerned with work rules, which were not resolved in the agreements.

Dempsey is hopeful. He concedes that time has run short, since the BLE's summer-1971 approval of the pioneer agreement. The UTU strike later in the summer was one factor. Then, after agreement was reached, there was a delay while UTU went through a ratification procedure. And finally, there was more delay while the Federal Pay Board made up its mind what to do about the wage increases included in the contract. But, short time may be enough time. And Bill Dempsey puts his thoughts this way, on the operation of the so-called standing committees and on what may be accomplished in those forums and elsewhere:

"We're ready, of course, to go ahead with the work of the standing committees. And, as a matter of fact, the standing UTU/NRLC and BLE/NRLC committees have been named. For the UTU/NRLC, we will have Robert Brown, director of labor relations for Penn Central; G.L. Farr, vice president of labor relations for Union Pacific; G.S. Paul, executive vice president for administration of Southern; Earl Oliver, vice president-personnel, of Illinois Central and G.M. Seaton, Jr., assistant vice president for labor relations of Chesapeake & Ohio/Baltimore & Ohio, with Brown and Paul slated to be the BLE/NRLC members.

"UTU members—all vice presidents—are F.A. Hardin, J.W. Jennings, G.P. Lechner, J.E. Burke and George Clark. BLE members are Vice President W.E. Skutt and Director of Research Virgil Davis.

"My hope is that we can set up some kind of ground rules under which we can encourage the free exchange of ideas. This means that there should be the most open discussion, and a man should be free to change his mind.

"One big problem, and this is an historic problem, is that neither side trusts the other side's facts. For instance, if you're talking about savings that accrue from eliminating a job, savings may be pretty easy to determine. But if you're talking about how much would be saved by the railroads by a change in the dual basis of pay—which is one of the big subjects for the standing committees—then, you're

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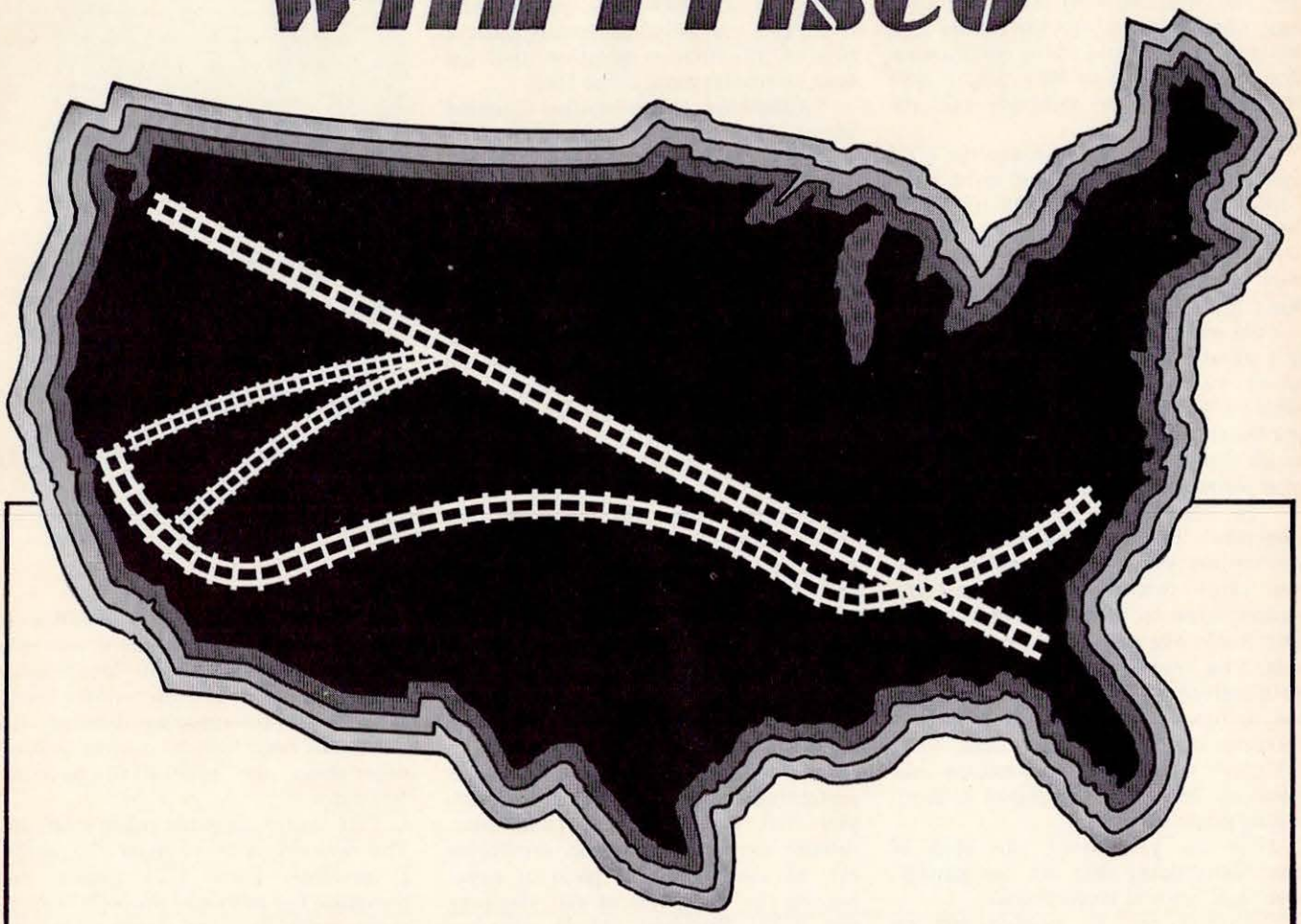

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working in a very muddy area. We want to get at the facts."

• **Making new rules work.** How about the work of the standing committees in the context of other management/labor affairs—specifically, the application of rules changes already agreed to? Again, Dempsey argues for new approaches:

"Union people have a point when they say that 'Between contract openings, nobody talks.' To the extent that we can establish continuing communication, we're bound to have fallout that will help both the railroads and the unions.

"Now, in both the BLE and the UTU agreements, there are bound to be problems in the application of the rules. The rule-change terms are rather general. There are ambiguities. Each side may have different interpretations as to what was intended.

"So we will have difficulties. But if this situation breaks down to the point where we have dissatisfaction on both sides as to how the changes are to be implemented, then we're going to have a tough time making more progress in our next series of negotiations.

"To me, there is nothing more important than making the standing committees work. And in application of new rules, there is nothing more important than to make sure that neither side thinks the other is being unreasonable. You have to accept that there will be disagreements. But we do not want the unions to think that we're sharpshooting these rules. At the same time, we don't want to see the unions take positions which we will regard as barricading positions."

How do you avoid the kind of misunderstanding that can put management and labor at loggerheads?

"Miracles can be worked just by talking together for three or four hours—or more. You can't always persuade the other fellow that you're right. But you *can* persuade him that you're reasonable.

"Just suppose that, before next Jan. 1, we can have a reasonably satisfactory application of the rules changes. Suppose that we can make a significant start on considering what kinds of further rules changes would be mutually beneficial. Suppose that we could solve the fireman problem. These would be very substantial achievements.

"As to the fireman question, I don't think I should say very much, since it's a pretty sensitive matter. Though Arbitration Board 282 authorized the carriers to reduce firemen down to 10%, about 50% of our crews are still manned by firemen. The Award expired in early 1966, and subsequent litigation has left the whole matter in a tangle.

"The procedures of the Railway Labor Act on the parties' notices to establish new rules have been exhausted for some time, but neither side so far has brought the matter to a head. At the same time, we're in negotiations on the UTU's apprentice engineer notice. The situation is obviously highly unstable, and these matters will have to be resolved. We certainly would have turned some sort of corner if the parties could arrive at a mutually satisfactory disposition of this firemen question—that has been so troublesome for so long.

"Altogether, this is another situation where a lot might be accomplished by rational approaches on both sides."

• **"Adversary," but. . .** As a lawyer, Dempsey spent his pre-NRLC career in what (to a layman, at least) would have to be termed "adversary proceedings." Management/union negotiations carry the same connotation. But in conversation, Bill Dempsey does not come across as the out-and-out advocate. Rather, he comes across as a man who knows the advantages of compromise—not a patsy, but not a table-pounder, either.

Like a true professional, he does not hesitate to credit an "opponent" with a good performance: He will argue that UTU's past successes in crew-consist cases, for instance, came in spite of logic and fact—but he will also label the accomplishment of Luna and UTU as "a brilliant piece of work."

Except for Chicago & North Western (and now, Penn Central), crew-consist may seem to be a closed issue. Dempsey doesn't think it has to be. And, while he does not agree with UTU that this is something that should be worked out, part and parcel, at the local level, neither does he argue that everything can be solved with a piece of paper bearing the signatures of Bill Dempsey and UTU President Al H. Chesser. Dempsey's thoughts run this way:

"I may be new to the direct negotiating side of management/labor relations—but I've spent a lot of time and done a lot of work in the crew-consist area. And the vast majority of trains can be manned one-and-one. UTU right now is in a better bargaining position than they were in, because of their successes in rolling back the effects of Arbitration Board 282's award after it expired. The railroads have to make inroads where they can. But these gains are going to depend, in large measure, on matters of protection and the union's position on sharing of savings.

"When you're discussing the elimination of a job from a crew, you have something tangible to work with. The amount of savings is something you can put a figure on. Now, if this whole process were to be handled locally—as the UTU has said it should be—I think you would get things so tangled up that they would be almost impossible to unravel. But it seems to me it would be possible to negotiate the fundamental thing—protection and the union's inevitable demand for a sharing of savings—on a national basis, and then leave to local negotiation the application of these principles.

"There should be the most open discussion, and a man should be free to change his mind."

NRLC Chairman Dempsey

"Of course, there are other problems. The railroads want to move as speedily as possible. Those UTU people who recognize the railroads' problem want to move gradually. And, from a practical standpoint, we have to recognize that in a union—because of its structure—leadership has trouble moving faster than the membership wants.

"Then, there's the special case of the crew-consist dispute on Penn Central. But the NRLC isn't involved in those negotiations, and it's obviously a sensitive matter. So I don't think I should comment, except perhaps to note that the industry's past experience supports the railroad's position regarding its ability to operate with reduced crews."

• **How about the Act?** In recent weeks, there have been two crises—each of which has been critical enough to prompt President Nixon to create an emergency board, one involving PC and UTU, the other covering the national dispute with the Sheet Metal Workers. There has also been something resembling a surge of Congressional interest in strike-preventing legislation in the transportation industry. Predictably, rail

labor organizations have opted (at the very least) for the status quo—namely, the Railway Labor Act as-is—and have alerted their members to the dangers of proposed legislation. Predictably, also railroads have opted for change—and the record of the past couple of years tends to back their position, since the Railway Labor Act, which has as its main aim the orderly settlement of disputes, has been considerably less than 100% effective.

The so-called Packwood Bill (S. 3232) is the one that now seems to be gaining support. Like a number of earlier proposals, it's a "finality" bill with an optional provision which would assure settlement without strike or lockout. Organized labor's approach has been flat-out opposition—on grounds that exercise of the "finality" option amounts to compulsory arbitration. Rail management, with its own proposals before Congress, is not fighting "finality"—far from it. But, there are a number of points on which the railroads want a hearing. Dempsey notes them:

"As with some previous bills, this one contains an option for partial operation. The intent, I think, is to make this available only where there's a serious national defense or public health problem. But it's not at all clear, as written. For instance, this provision could be interpreted to require railroads to move all coal to all utilities, regardless of whether there's a shortage. Something like this could kill us—because there is no way to have a 'partial operation' that will not cost the railroads more than if they were totally shut down. Gross revenues could never be in keeping with variable costs—so the carriers would always be hurt more than if they were not operating at all. If some provision like this were to be retained, it should be clearly restricted to emergency matters of defense and public health.

"There's another matter where the language does not seem to follow the intent, and that's with regard to handling of minor disputes. The intent is for arbitration, as with the National Railroad Adjustment Board now. But there's a technical deficiency that needs to be cleared up. Another problem involves a provision under which it's the Federal judiciary which decides whether to issue an injunction, for an 80-day period, to allow time for a study and report before the President's options come into play. This decision, really, should be the responsibility of the Executive branch, not the Judicial.

"Finally, there's serious question as to whether the railroad industry should be placed in the position of having to negotiate fixed-term contracts. Sure, other industries work this way—steel, automobiles, even trucking. But other industries, do not have our problem. Most other industries—including trucking—have a number of companies involved, but only one major union. Railroads have the multiplicity of companies—but they also have more than 20 unions.

"Think about this for a minute. With other major industries, it has been possible—in most cases—for the union to come in with a 60-day notice for renegotiation and get a settlement. The impulse is to settle. And so, you work for a national agreement and let local issues be solved as best they can be. But bargaining in the railroad industry has little in common with that. We have a multiplicity of companies, a multiplicity of unions—and a history of delay in settling, which is why you get wage agreements with retroactivity stretching back a year or more.

"I don't say we could not live with fixed-term contracts. Perhaps if we were compelled to do it, there would be an impulse within rail labor toward creating a national bargaining unit. But, at least in the beginning, we would need more time than 60 days between reopening and contract expiration."

● **New voices, saying new things.** Over the next eight months, between now and the Jan. 1, 1973, reopening which is permitted in current contracts, rail management/labor relations should provide something to watch. There may not be much hard news—because the best work may be done quietly, man to man. But Bill Dempsey and Al Chesser and other rail labor leaders may be painting a backdrop against which a progressive drama may be played in the future.

As for Dempsey himself, he's different. NRLC's first chairman, J.E. Wolfe, was a career railroader and a veteran negotiator—a man respected and liked by rail labor's leaders even as they railed against the things "Doc" Wolfe was doing to them. NRLC's second chairman, John P. Hiltz, Jr., was a civil engineer and former railroad president who headed NRLC during a period of substantial accomplishment—but a man who may have to wait for the industry to give due credit for those accomplishments.

Bill Dempsey is a lawyer, 40-ish, soft-spoken, without a lot of gut experience at the railroad bargaining table. He could have stayed with Shea & Gardner, and, probably, retired rich. But he gets along with people, and that's the real name of "negotiation." As one longtime labor-relations officer puts it, "Dempsey gets into a situation, and he seems to be just talking—and before you know it, there's a real give-and-take going on."

Why leave a good law firm for the oft-thankless job of being the railroads' No. 1 target? Dempsey says he likes the people, and respects them, on both sides. He says that of all transportation, only the railroad industry could have attracted him into such a job. He says he thinks there's room for movement, and mutually-beneficial progress in rail management/union relations.

Both management and labor should hope he is right.

"In any case," says Dempsey, "I haven't been thrown into a lion's den alone. I'm just one of the 11 members of our National Carriers' Conference Committee, and its chairman. The other 10 members are widely experienced and highly competent negotiators. Moreover, I'm given the strongest support by Vice Chairman Parks and our assistant to the chairman, Scott MacGill. Both men headed the former regional carriers' conference committees [of which there were three prior to Dempsey's appointment Jan. 1, 1972], and both are men of great ability."

The other men who make up the National Carriers' Conference Committee are Carl A. Ball of Southern Pacific; Frank K. Day, Jr., of Norfolk & Western; T.C. DeButts of Burlington Northern; Glen L. Farr of Union Pacific; J. Maher of Penn Central; Charles E. Mervine of Seaboard Coast Line; Earl Oliver of Illinois Central; O.H. Osborn of Santa Fe; George S. Paul of Southern, and George M. Seaton, Jr., of Chesapeake & Ohio/Baltimore & Ohio.

Chesser: "Railroad people want to

United Transportation Union President Al H. Chesser is a man whose goals are rather clearly defined. First, he wants to see railroad management/labor relations greatly improved. And second, he wants to bring the weight of union and employee opinion to bear in helping to solve major problems facing the industry.

Make no mistake, however: So far as Chesser is concerned, there can be no "second" without a "first." And what are the chances of bringing about the prerequisite improvement in carrier/union/employee relationships? Not really bad, as Al Chesser sees things—if the attitudes he finds at top corporate levels can be spread throughout the management organization.

Like National Railway Labor Conference Chairman William H. Dempsey, UTU President Chesser is a believer in the benefits to be gained through serious discussion among reasonable men. This is how Chesser looks at the situation today—and how he hopes it may be changed.

Q. Shortly after you became president, you named a committee of five UTU vice presidents which will be, in effect, a standing committee for railroad contact and negotiation. Why?

A. This, I think, is a "first" for a union in the railroad industry, and maybe I'm looking for Utopia. But my thought has been that we should not wait until we and the carriers serve Section 6 notices, until we and the carriers get ready to beat each other over the head. As you know, our new agreement calls for each side to name committees to study leftover issues. The five men I've appointed will act as our committee. They'll be in conference with the carriers' people many, many times—and, probably, they'll be discussing many, many issues, even beyond the leftovers from the Jan. 27 agreement.

Q. What do you hope—or expect—that this will accomplish?

A. I have high hopes that we can reconcile a lot of our differences—that we can settle a lot of things, or at least set the ground rules for settlement. I think this is the only way to do it—by having people talking continuously. At the same time, we're plowing new ground in going back to individual properties to implement rules changes that were agreed upon in the Jan. 27 settlement. And I think the carriers—at least those who were closest to the negotiations—would agree that this is the best way to handle specific changes, because the operations on one property do differ from those on another. You can never handle rules changes nationally and reach a satisfactory conclusion.

Q. What you're shooting for is the kind of agreement that sets guidelines nationally and leaves implementation to local agreement. . .

A. You might set guidelines that way—but you have to be careful not to make them too rigid. We've already run into problems with the Jan. 27 agreement—perhaps because the rules that were agreed to just don't give enough maneuvering room. I'll say one thing, though: Now, when we have problems we can call Washington, to the NRLC, and most often we can settle things over the phone. It's like a breath of fresh air over there. These are people you can talk to, and I want to tell you we've been doing a lot of talking since Jan. 1—with our cards all right there, on top of the table.

Q. You've also done a certain amount of talking about the state of management/labor relations generally, and about holding back on labor support for legislative problems. . .

A. What I've said is that we've reached the end of the line. We are not going to support any more carrier legislation, we are not going to cooperate with the carriers on any project or any issue until management/labor relations are improved on the individual railroads. So far as I'm concerned—and I've spent 32 years in this business—these relationships are the worst they've ever been, and they're the worst of any industry in this country. And you're never going to have a viable railroad industry, one that can make progress and take its rightful place in the transportation field, until you turn this situation around.

Q. Specifically, what are the gripes?

A. We could talk about some railroads' safety programs—and the way they hand out discipline, suspensions, to an employee who suffers a personal injury. That's adding injury to injury. The man's hurting, and they make his family suffer, too. Look at cases where railroads hold employees out of service for alleged physical disability, despite medical evidence to the contrary. Look at instances where railroads refuse to hire, then work present employees excessively long hours. Look at intimidation; unwarranted and frivolous investigations; encouraging employees to ignore safety rules, then refusing to admit such action and disciplining employees

help-if given a chance"

for doing what local officers told them to do. Look at the matter of promulgation of rules during the 1971 strike. It was disgraceful and inhumane. Rules were imposed that weren't in the notices; seniority rules and craft lines were ignored; employees were held away from home for up to 36 hours and then told to make their way home as best they could. Look at railroad officers who try to improve their safety record by disciplining employees when they suffer a personal injury. This is an attempt to justify intimidation. It isn't a safety program. And we will not condone such foolhardy operations. Or, take some of the situations that come up in connection with the awards of special boards on a carrier. These awards are supposed to be final and binding. But there are too many cases where we get an award, and management simply says "OK, you won. Now try to collect." This is wrong. There are a lot of other things that are wrong. And right now, I think most top management people agree with me that changes have to be made. We're setting up committees, UTU and the NRLC, and we're going to go to work on this nationally. And on an individual-railroad basis, I can give you a good example of what we're talking about, and that's Burlington Northern. Mr. Menk [Louis W. Menk, BN chairman] has started things moving. We had a meeting in St. Paul March 15—all of his top officers and our general chairmen. The complaints and the problems came out in the open. Now, they're going to have this kind of meeting with local chairmen. I think this approach is going to work, if management will listen to our problems and then make an honest effort to correct things. And this is what we want to do on every railroad. As a matter of fact, I think every railroad president should write to his railroad's employees, advising them that this is the program.

"We're not going to support any carrier program until relations improve on individual railroads."

UTU President Al Chesser

Q. What you're saying, in effect, is that when union president and railroad chief executive talk together there's better rapport than when people below the top level on a railroad try to communicate. . .

A. There is, by far. I think every chief executive wants good management/labor relations—at least, I would hope so—because he knows his railroad will profit from this. But he can't make it happen all by himself. So you have officers and supervisors who think the way to climb the management ladder is to be tough. Intimidate employees. Start denying claims that have always been paid before. And maybe the man on top doesn't really know what's happening. After all, there's no vice president of operations or personnel who's going to walk in and tell his president "Boss, we have bad labor relations." If I were running a railroad and somebody told me that, I'd run him off the property.

Q. Maybe you really are looking for Utopia. . .

A. Maybe. But I think this whole situation is the core of the problem in our industry. And it is *our* industry. Look at it this way. A manager is a man who's been hired to administer the affairs of a company, representing the board of directors and the stockholders. But if something happens, if things go wrong, he can go somewhere else and wind up with a good job. But that doesn't work, for a man with 20 to 25 years' seniority on a railroad. If something happens, he's gone—and he has no place to go. You take any industry you want to mention: Railroad people have more interest and more dedication. They want to help—if they're given a chance, and if they're treated like human beings instead of like pieces of machinery.

Q. Are union people, local and system officers, totally without blame when you're talking about bad relationships?

A. Mostly, I've been talking with railroad chairmen and presidents. I have yet to have one of these people tell me "Look, you've got a guy we just can't deal with." In one case, a president did tell me—and this was on a merged property—that they were having problems because we had a number of general chairmen, and they couldn't agree, and this made it difficult to get problems worked out. That president was exactly right—and we're encouraging those committees to merge.

Q. Assume that management/labor relations do improve. What then?

A. If that happens, we would go out tomorrow and say "Come on, we're going to help save this industry." We have a public relations department, we have a membership newspaper, and we would go out and spend money—to get legislation passed and to get new business for the railroads, too. But the way feelings are today, I can't go out and ask our members to support railroad programs. They'd tell me to go to hell, and they should. But we know what our railroads need as well as they do—a better tax structure at all levels, a restructuring of the rate system, government guarantees of loans at reasonable rates, maybe a better amortization plan, and a chance to be more competitive. A lot of these improvements can come about only through legislation. And if we can get to a point where our people are happy—where they've got a good place to work, good jobs and they don't get lied to every other day—I'll bet you money, marbles and chalk we can pass that legislation. Look back for a minute: In the 91st Congress, we got six pieces of legislation through—and you show me another group of people that can show six pieces of legislation for a session's work.

Q. From an industry standpoint, crew-consist is a leftover from a long time ago. So is the fireman situation. What's going to happen?

A. First, on the fireman matter. I've made it clear that I want it settled, and settled as quickly as possible. I think we'll make an agreement. As for crew-consist, there's just been too much yelling. Everybody has just gotten used

(Continued on page 50)

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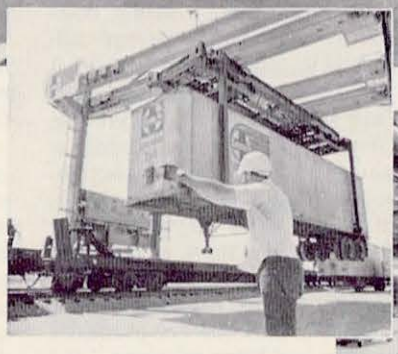

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Santa Fe

Circle 28 on coupon page 47

New Products Report

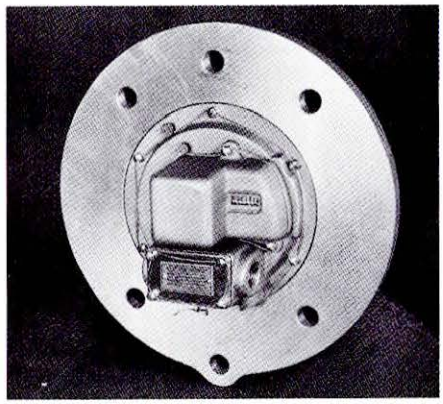
New hold-down carriages have 72-inch lifting forks

Special new hold-down carriages are said to be ideal for loading and unloading railroad ties, small logs, poles and rough lumber. The carriages can be used on the manufacturer's standard and rough-terrain pneumatic-tire lift trucks with lifting capacities from 12,500 to 25,000 pounds. The two basic models, constructed of high strength steel, consist of a set of pin-mounted, 72-inch lifting forks on 90-inch carriages with integral, but hydraulically actuated, hold-down arms that close in an "upper jaw" motion toward the forks.

Capacity of such a "bite" in pounds depends upon the capacity of the lift truck. In terms of cords of wood, it depends upon the type of load being handled. In most cases, the two standard attachments will handle at least two cords of logs. The clamping action of the hold-down arms prevents wasteful spillage. In the fully opened position, the arms are completely out of the way for conventional lift-truck operations. The carriage shown in the photograph is equipped with optional "reverse flipper arms" for handling less than full loads of small logs or large single poles. *Hyster Co.* (RA-1)

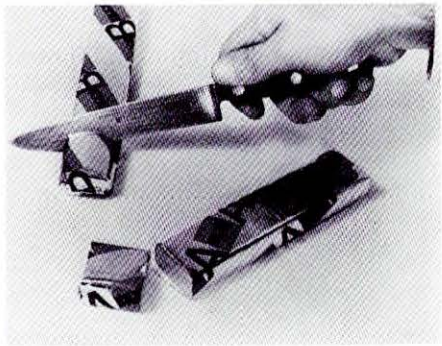
New collapsible containers can solve storage problems

A new line of collapsible, pilfer-proof container systems is based on a concept which shrinks containers 5 feet high down to 8 inches. The concept provides for practically instant storage of containers, thus minimizing the space required for non-productive goods. The containers can be assembled in seconds using automatic assembly features. Standard features include access doors for taller containers to permit quick loading, pilfer-proof seals and sturdy construction. *Containair Systems Corp.* (RA-2)



Speed indication system now has an odometer assembly

A speed indication system used on railroad and rapid transit systems is now available with an odometer assembly. This provides a means of accurately recording miles or kilometers traveled up to 999,999.9 for scheduled maintenance purposes. Backward, as well as forward, motion is recorded. The entire system provides precise speed indication up to 199 mph and never requires adjustment. The heart of the system is the pulse generator (in which the odometer assembly is found) fitted to the end of an axle. It supplies accurate speed information to the digital speed indicator where it is displayed by means of numerical readout tubes for maximum reliability and readability. *Vapor Corp.* (RA-3)



Epoxy putty comes in cut-what-you-need package

A packaging innovation for epoxy putty allows the user to cut off pieces of any size, thus eliminating waste. Special foil packaging of the resin and

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hardener permits exceptional ease in handling. The cut-what-you-need concept eliminates weighing and measuring the product before use. The putty is hand-moldable and has properties making it useful for all types of repairs. It adheres to damp surfaces, cures under water, hardens like steel and can be machined, sanded, drilled and painted. *The Biggs Co.* (RA-4)

Dehumidifier "in a bucket" does its work at low cost

New Endamp, called the dehumidifier in a bucket, eliminates excessive moisture and humidity in the air at—the manufacturer says—a cost of pennies. Endamp's ingredients, tiny moisture-magnet pellets, draw moisture from the air and deposit it in the bucket where it accumulates and then is drained off periodically. A one-pound bucket will absorb humidity in an area of 250 cubic feet, at 75% humidity. The price: $2.98 a pound; $4.75 for two pounds. *International Fiberglass.* (RA-5)

New tool boxes have pop-open lids and deeper tool wells

A new line of utility tool boxes incorporates coil spring-loads which pop the lid open when the handle is released. Two springs are used on each lid. New paddle grip handles feature secure tumbler-type locks keyed alike for the two lids on each box. Slam catches are used. The 11-inch-deep tool storage well can accommodate large power tools. Small parts and hand tools can be kept well organized in the tray, which has adjustable/removable dividers for custom arrangements. *Markel Electric Products.* (RA-6)

New 48-channel MX system is for light-route facilities

A new 48-channel multiplex communications system is for use on light-route microwave radio transmission facilities. The 36A packages the complete transmit and receive channel functions including E&M signaling and power conversion on a single plug-in module. The 36A uses a low-level transmitter-carrier, single-sideband modulation technique and produces a line frequency spectrum between 12 KHz and 204 KHz. Standard 4-KHz channels may be inserted anywhere within this frequency range to suit any application requirement. Frequency space below 12 KHz may be conveniently assigned for order wire voice and alarm transmission.

Each 36A channel unit will operate directly from a -24 volt or a -48 volt battery supply. Fuse failure alarm may be extended to an office alarm system. *GTE-Lenkurt, Inc.* (RA-7)

Industrial batteries have a wide range of capacities

A new complete product line of industrial nickel-cadmium batteries operates within a temperature range of between -60 F and 140 F. The new batteries feature a choice of 3 plate types including a unique double-positive steel pocket plate. Capacities of the new industrial nickel-cadmium batteries range from 5 a.h. to 550 a.h. Three cell ranges are low rate, medium rate and high rate.

Low rate nickel-cadmium batteries are designed to supply direct-current power for three hours or longer. Medium rate batteries in the new line equipped with the unique double-positive plates, are intended to power loads for between 30 minutes and three hours, with frequent discharging and charging (or cycling). High rate Exide nickel-cadmium batteries are specially designed to meet heavy power demands of short duration, ranging from one minute to 30 minutes. *Exide Power Systems.* (RA-8)

I/O terminal can transmit 240 characters per second

The 5-50 business data communication terminal is designed to simultaneously prepare hard copies of business papers and tapes for computer processing. Data can either go on-line or can be batch entered from tape directly into the computer via telephone lines. In a basic three-minute transmission period, for example, the 5-50 can transmit 43,200 characters. The terminal's maximum high-speed data transmission capability is 240 characters per second.

The terminal consists of a modified Selectric typewriter that generates both hard copy and recorded copy, and a special magnetic tape cartridge with high-speed playback capability. A built-in 103-type modem, now standard equipment, provides the interface between telephone line and terminal. *Novar Corp.* (RA-9)

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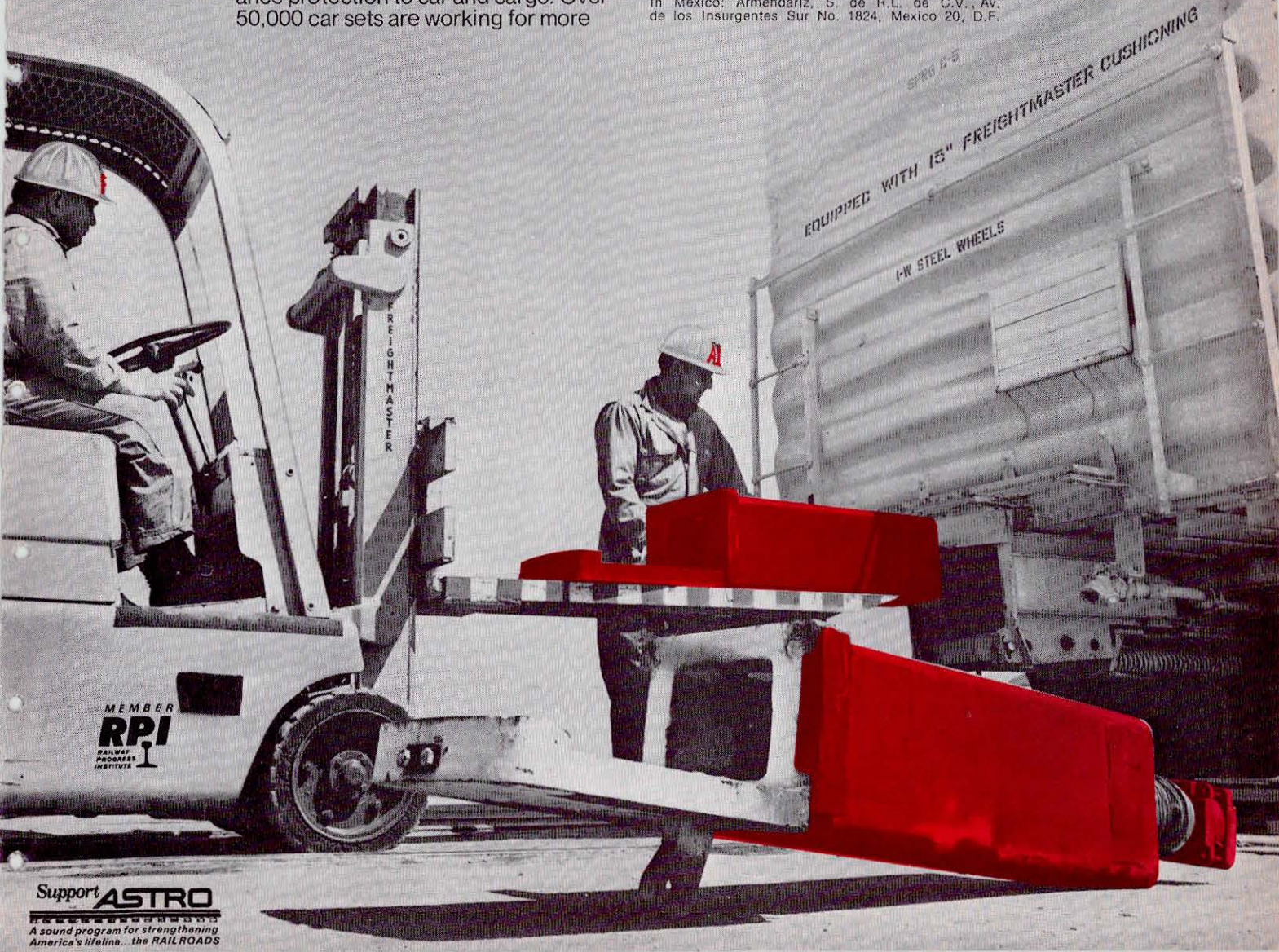

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"COMPULSORY ARBITRATION COULD HASTEN TAKEOVER"

(Continued from page 45)
to hollering "We have to cut the crew consist."

Q. But the pressure is bound to increase. . .
A. We are not as rigid as we're sometimes made out to be. I think you have to start with new business. I've had some ideas about this and, as a matter of fact, until the trouble with Penn Central popped up, I was gearing up to start talking. We all know where there's business that could be obtained, business that's moving by some other form of transportation. So you begin by looking at the kind of operation you need. You look the problem over, you talk about it—with both sides being honest. Then, I think you can work things out as to what kind of crew can handle the operation and handle it safely. For instance, one railroad has mentioned to me a plan to run short, fast trains of maybe 20 or 25 cars of business that is now being moved on the highways, and with a crew of less than five. And of course they're willing to pay added compensation for the added responsibility of the crew. This approach is the way to go. You can't just take a blanket approach. It won't work, it will never work. It would result in an unsafe operation.

Q. When railroads talk about the blanket approach, though, there is almost always the promise of savings-by-attrition, of protection for present employees. Doesn't this mean anything?
A. If it meant real attrition, where nobody's going to lose his job, it might mean something. You would be foolish to argue against that, from the standpoint of protection. But then you have a railroad that says "OK, tomorrow we're going to start operating short crews." Just like that. Now, I don't care if the railroad says "Well, we'll double the pay of the men still working." Money alone is not the answer. The big thing that has to be considered is safety. Oh, I know that some people like to call safety a dead issue. But it's not. And I am never going to agree to operating a crew in an unsafe way.

Q. You've talked a lot about the need for improved relations, and an improvement in the way the employee feels about his company. But doesn't this take a long time to bring about? And aren't the industry's needs—in legislation, for example—immediate?
A. That is all we have heard—"immediate" need, and "something we can work together on for the benefit of both parties." We will not buy this approach any longer—the approach where we cooperate and then get a knife in our back on every other issue. But I certainly don't think the improvements in relations are impossible. And I don't think there has to be a "long time" involved. I saw Mr. Claytor [W. Graham Claytor Jr., president of Southern] turn things around in pretty good shape, right quick. That was a few years back. I don't know exactly what the situation there is now.

Q. Taking a different tack on legislation, what do you see as the chances of Congressional action on new labor law designed to prevent tie-ups in transportation?
A. I don't think there will be any this year—and I don't think there should be. I don't believe you can say that the railroad worker is not entitled to strike. And after the experience of last year, I don't believe you can say that selective strikes are unworkable. Let me add this: Railroad management may say it wants some form of compulsory arbitration—but if they get it, they're going to be the sorriest people who ever lived. For one thing, it can work both ways—and they can get stuck just as easily as we can. For another, it just doesn't work where it's been tried overseas, in Europe and elsewhere. And for a third, the record shows that when compulsory arbitration comes along, nationalization isn't far behind. Any Congressman or Senator who votes in favor of compulsory arbitration may think he's doing a smart thing—but what he's really doing is voting for socialism and nationalization. If this is what they want, and they force compulsory arbitration on us, then we will be forced to hasten the day of nationalization.

Q. Which, I gather, you're opposed to. . .
A. What I want is for Congress to study what nationalization is and what it would do. We can all argue about nationalization, but nobody is talking from facts. We tend to go by what's happened in other countries—and frankly, I'm not concerned about other countries. I'm concerned about this country. What galls me is that some people just don't seem to want to know what nationalization is all about. That's like saying you don't want to know anything about communism: Let it eat you up, and then find out what it is. I strongly suspect that a study would show that nationalization of our railroad system would be a bad thing. But I don't *know* that. And, as I say, I can't understand why so many people are afraid to study it. Without question, I'm for the free-enterprise system. I like the way it operates. But it's time we found out more about nationalization. Good or bad, let's know it.

Q. In this context, what about Penn Central?
A. There, you're talking about a different animal, a different thing altogether. I look back at the merger—and really, about the only thing they've done that they said they were going to do was to provide job protection. No doubt, they went about things the wrong way. Look at Chesapeake & Ohio and Baltimore & Ohio. They eased into a consolidation, and they're doing all right. The same with Burlington Northern in that merger. But then you look at what Penn Central says it needs—labor savings, abandonments, more Amtrak money, maybe government money and shipper subsidies. So far as labor savings go, they must already have made some savings—after all, they're talking about how they ran 20,000 more freight trains last year with 11.8% fewer employees. And I wonder how long you can work that way without hurting your service, and killing or injuring half the work force. Actually, if they have to have everything they say they have to have, then you might just as well liquidate that railroad—because they'll never get it. And even if they got it, I still question whether they could make it. Now, I don't think the country could do without Penn Central, or most of it. So this may be one for the government to look at, in terms of nationalization. I'll say that Penn Central is a cancer in our industry. It was the biggest financial scandal of the country. The government will have to finance Penn Central, so the government might as well operate it and cut out the middleman.

Q. For the industry generally, what kind of future do you really see?
A. I think we're at a point where this industry could shoot for the heights—where things could be made better than they've ever been. But everybody's going to have to help, and we've already discussed that problem so far as the employees are concerned. I might just add this: Railroads fail to realize that their employees can be their best salesmen and public-relations representatives. I *am* interested in this industry—for it to be the best industry with good jobs and good working conditions. This will produce more business. Remember, you are asking for very little—in fact you are asking for nothing—when you insist on good management/labor relations. What you are really doing is pointing out to management the way to make our industry grow and prosper. We will settle for nothing less than this. That's what really matters. ■

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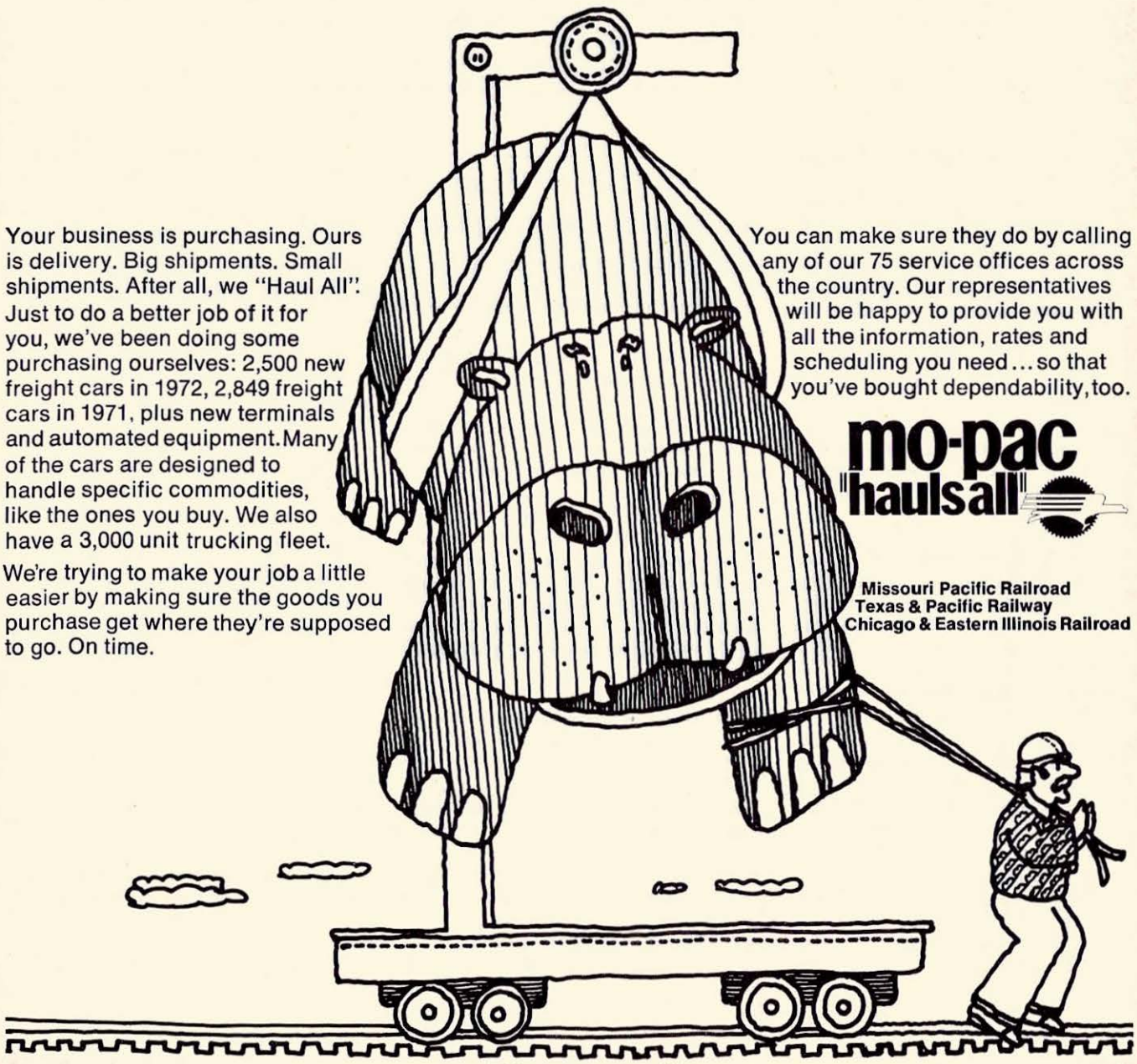

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Circle 21 on coupon page 47

KENEFICK, PERLMAN, DOWNING:

A look at "the next five years"

During a time of intense campaigning for legislation in Washington, the railroad industry's public address system often seems to be blaring a single message: "Pass the Surface Transportation Act." But the papers prepared by three railroad presidents for an Institutional Investor forum in New York April 18 had a different pitch: what can be done inside the industry to improve efficiency and maximize profits.

The need for legislation was not ignored. "The industry is in a state of crisis. It must have relief along the lines of that recommended by the ASTRO report and the Surface Transportation Act," asserted Union Pacific President John C. Kenefick. (Kenefick even called for a form of relief not specified in the STA: "I consider it imperative that some form of Federal participation in the burden of roadway maintenance and improvement be found, and found quickly.")

But the main emphasis by Kenefick and his fellow panelists, Burlington Northern President Robert W. Downing and Western Pacific President Alfred E. Perlman, was on internal change. They talked about the need for more effective marketing; for harnessing available technology, with emphasis on electronic data processing and electrification; for improved quality control; for greater productivity and better labor-management relations.

● **Marketing:** Perlman said "the greatest challenge for the next five years in our industry is to decrease our operating ratio and increase our net income." About half of that challenge, he said, involves "using the explosively expanding technology to achieve the maximum possible efficiency in handling our customers' products"—and the other, "more important" half involves "an entirely new approach to marketing."

Railroads, said Perlman, need not just more revenue but "the greatest possible profitable revenue."

"It is only in the past few years with the third generation of computers and the possibility of a total systems derivation of costs that the railroads have had the ability to price their products on a cost basis," said WP's chief. "Many railroads have adapted the computer to their operating problems but have not fully integrated their programming into a revenue and expense interface. They are still approaching pricing by a seat-of-the-pants operation. . .

"Railroads must have logistics experts who can truly help customers in maximizing the efficiency of their production line. Their total systems information must tell them whether their sales force should concentrate on soliciting the inexpensive pairs of shoes and perhaps leave the $150 pair of alligator shoes to go by air freight to balance the customer's transportation costs vs his inventory costs. Their sales force must have the staff assistance of marketing specialists."

Kenefick urged a search for new markets: "I think it's time we stopped patting ourselves on the back for the automobile rack car and started looking around for new opportunities. The new modular home industry is just one example of new markets for our service."

● **Electrification:** The railroads, said Kenefick, need another technological breakthrough—and for UP this could take the form of electrification. He said UP "has just about finished an intensive feasibility study of electrification of our heavy bridge traffic from North Platte to Green River. The costs of such a venture are not as staggering as many people assume—particularly when measured against our regular capital improvement budgets. Locomotives of some kind will have to be purchased—and electric locomotives have twice the life expectancy of diesels. They cost less. Maintenance costs are far less and the potential for high-speed, long-train operation is much greater. With the new breeds of electric power using thyristor control and silicon diodes we can plan on 10,000 hp units. This means a potential for reducing the total number of units in our motive power fleet."

Electrification? UP says it could be the next big technological breakthrough

Downing, on the other hand, saw electrification as "a real possibility down the road but we do not look for it soon on Burlington Northern because the density of our traffic on any one route appears to be below the level at which economics would indicate the feasibility of electrified operation."

● **Quality control:** What Downing does see is more and more effort directed toward improving the quality of service. He said BN is working in this direction through a real-time data system called COMPASS:

"Already, substantial benefits are being reaped. It backs up our concept of customer oriented marketing in which development of traffic is organized by commodity groups each of which are qualified to analyze, price and assist in the selling of our services. In all cases—development of new traffic and improving the returns from existing traffic, emphasis is on profitability. Information from the COMPASS system is of vital importance in providing material for analysis by the market development people. It is a great assist in holding customers by improving the dependability."

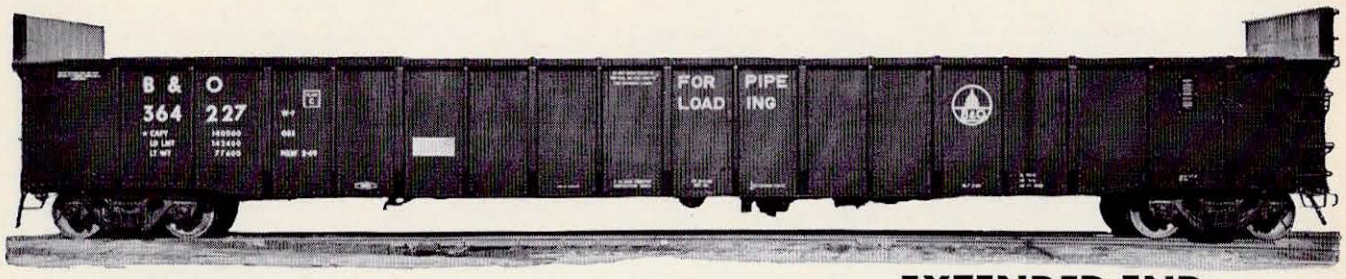
● **Labor/management:** For the UP, and for the railroad industry as a whole, the key consideration, said Kenefick, will be productivity and labor-management relations.

"Through computerization and other labor saving technologies Union Pacific has been able to increase the ratio of ton miles hauled to total employment over the past five years by 24.7%," said Kenefick. "We foresee a continuation of this improvement over the next few years by as much as another 23%. But this gain is primarily rooted in technological advances. The promise of similar productivity gains from improved job performance is even richer. As an example Union Pacific and the Brotherhood of Locomotive Engineers have begun lengthening freight train runs in some districts. Engineers are now working one 327-mile run from North Platte to Cheyenne instead of two runs of 224 and 103 miles respectively. The recent settlement with the United Transportation Union opens up more doors for employee performance gains."

Kenefick expressed alarm over the fact that "labor and management have polarized themselves and too often become warring factions," and added:

"Fortunately, today most railroad managements recognize that we can no longer afford an antagonist relationship with the people who perform the service we sell. We have begun to talk to our people, but this is a small first step. Union Pacific will soon undertake a major program to root out the irritations that have been allowed to build up over the years in labor-management relations. We are planning more intensive communication processes right at the point where these little difficulties begin. We will couple this with a speeded up handling program. This way we hope to disarm little irritations in delays over minor disagreements which too often become major problems affecting the whole system."

If you're thinking gondolas



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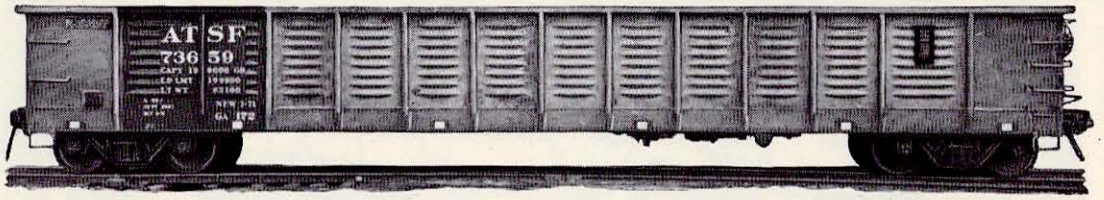

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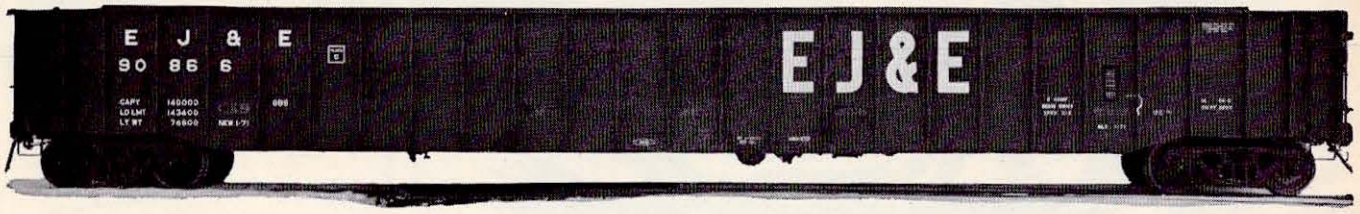

JUMBO

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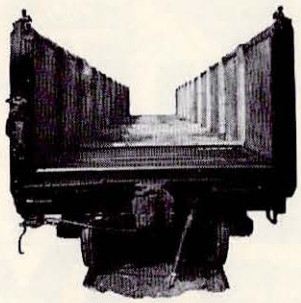

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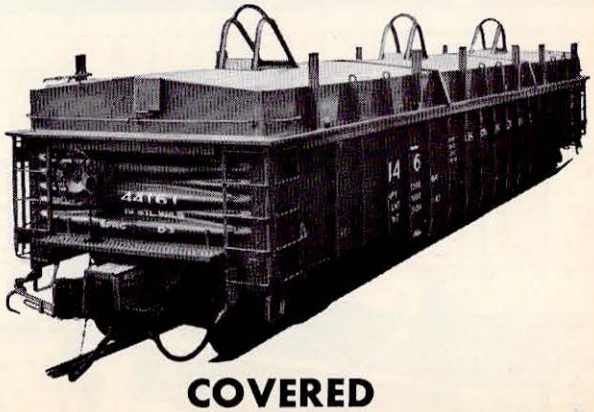

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Circle 24 on coupon page 47

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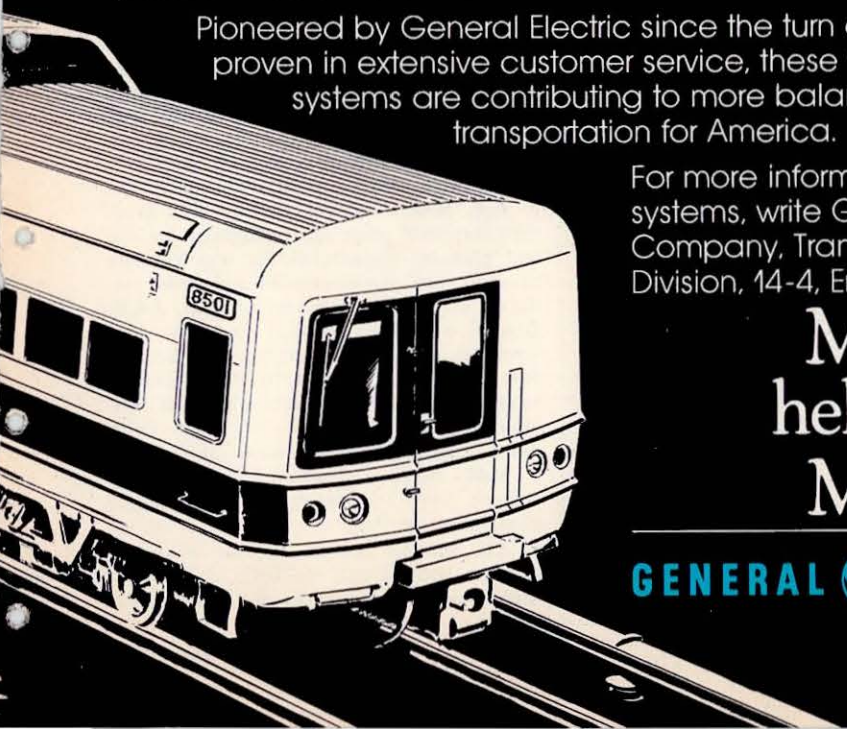

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Men helping Man

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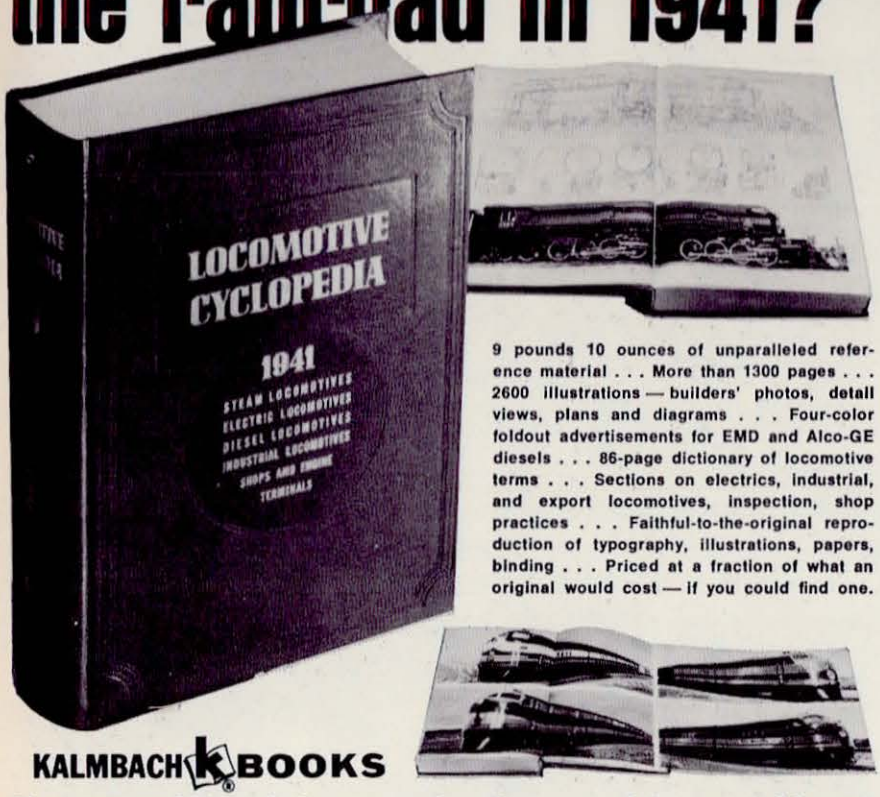

9 pounds 10 ounces of unparalleled reference material . . . More than 1300 pages . . . 2600 illustrations — builders' photos, detail views, plans and diagrams . . . Four-color foldout advertisements for EMD and Alco-GE diesels . . . 86-page dictionary of locomotive terms . . . Sections on electrics, industrial, and export locomotives, inspection, shop practices . . . Faithful-to-the-original reproduction of typography, illustrations, papers, binding . . . Priced at a fraction of what an original would cost — if you could find one.

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If so, you could have had access to the office copy of the memorable 1941 Locomotive Cyclopedia Of American Practice. It's the big blue book that introduced the first mass-produced diesels and featured the flowering of the finest in superpower steam locomotives. The Cyc is of the era when "streamline," "speed," and "steam" were synonymous, and the diesel was the glossy, glamorous forecaster of things to come. Simmons-Boardman's Cyc was the motive power department's bible. You probably wanted to liberate the boss's copy for your personal use at the time the Cyc was published, but it vanished from the library about the time he retired. Now the '41 Cyc is back! Kalmbach Books has reintroduced the Cyc from this year of motive power transition by special arrangement with Simmons-Boardman, the railroad industry's longtime and leading trade-paper house. Now you can own your own copy of the Cyc, in an edition as faithful to the original as modern printing technology can make it. As a reference for locomotive history and development, the 1941 Cyc sets the standard. Order your copy today with the order blank below!

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Address _____

City, State, Zip _____

People

John D. Mitros
IC

F.G. Fisher
Reading

ASSOCIATION OF AMERICAN RAILROADS.—**Howard I. Dwyer** appointed director, Research Center, Chicago, succeeding **Robert Byrne,** who resigned to become manager of research, **Southern Pacific.** Mr. Dwyer previously served as manager of product development, **American Steel Foundries,** Chicago. **Lawrence L. Olsen,** senior research engineer, Chicago Research Center, named assistant manager and acting manager, Research Division of the Center. **James G. Britton** continues as manager of the Center's Test Division.

William F. Clarke has been appointed administrative assistant, office of the vice president, Research and Test Department, Washington.

BURLINGTON NORTHERN.—In the operations department, **E.R. Craven,** assistant vice president, operations, named to the newly created position of assistant vice president, safety and rules. **M.M. Donahue,** assistant vice president, corporate planning, management services department, succeeds Mr. Craven. **W.L. Arntzen,** superintendent, Minnesota division, advanced to assistant vice president, operations, Billings, Mont., to succeed **W.R. Shannon,** resigned. Mr. Arntzen's successor is **C.J. Bryan,** assistant to the assistant vice president, operations, St. Paul. **J.G. Melonas,** superintendent, Missoula, Mont., appointed safety supervisor, safety and rules, St. Paul. **D.H. Burns,** operations manager, Chicago, replaces Mr. Melonas.

In the sales and service division of the marketing department, **R.L. Lassiter** named regional sales manager, Fort Worth, Tex., and **J.L. Panter,** sales manager, Denver, a new position. **N.D. Brehm** appointed director of sales-Alaska, with headquarters in Anchorage.

A.E. Michon named assistant vice president-corporate planning, management services and planning department. He was formerly assistant vice president-grain and grain products, market development division. **J.A.R. Draper** appointed general superintendent terminals and TOFC, transportation division; **R.D. Schlappy,** assistant to vice president, operations; **C.K. Keck,** director terminal operations, transportation division; **F.W. Ford,** director, personnel development.

M.M. Rychley appointed director, cost analysis, costs and statistics division, finance department, St. Paul.

J.C. Bartlett named director, economic analysis, budgets and economic analysis division, management services and planning de-

partment, with headquarters at St. Paul.

Dale E. Miller, manager, financial reports, appointed senior financial analyst in the financial planning division of the finance department, with headquarters remaining in St. Paul.

John T. Pearson named director, equipment planning in the management services and planning department's corporate planning division.

In the marketing department's pricing division, **K.S. Bagley, R.D. Formico, L.O. Halversen, R.M. Montbriand** and **R.E. Parrish** named directors of pricing. In the intermodal sales division, **D.M. Peterson** named general sales manager, international trade sales, Gulf/Atlantic ports and Mexico. **E.G. Westby** becomes area director, sales and service, Houston. **R.G. Rush** appointed general sales manager, international trade sales, Canada and Great Lakes ports, St. Paul.

CANADIAN NATIONAL.—John C. Gardiner, vice president, Prairie Region, Winnipeg, Man., appointed vice president, marketing and sales, Montreal. **A.R. Williams,** vice president-sales, Montreal, succeeds Mr. Gardiner at Winnipeg.

J.H.D. Sturgess named to the new post of regional manager marketing and **R.H. Menary,** to the new post of regional manager operations, Mountain Region, Edmonton, Alta. Mr. Sturgess was formerly assistant manager, Vancouver, B.C. Mr. Menary was regional manager employee relations, Edmonton.

S.E. Spencer, area manager, Toronto Area, appointed regional manager operations, Great Lakes Region, Toronto. **P.A. Clarke,** assistant manager, Toronto Area, appointed regional manager, administrative and technical services, Toronto. **R.V. Doty,** manager, industrial development, Toronto, succeeds Mr. Spencer.

A.J. Gillies, manager, customer research services, Toronto, appointed manager, marketing services, Great Lakes Region, Toronto.

Five new members have been appointed to the CN's slurry pipelines project group, development planning branch, research and development. They are: **C.J.M. Ives,** design engineer; **T.B. Hedley,** pipeline engineer; **Arvind Choudhury,** pipeline estimator; **Raphael Inbar,** assistant economist; and **C.B. Morris,** assistant engineer.

CANADIAN PACIFIC.—Donald M. Duncan appointed director, industrial development, Prairie Region, Winnipeg, Man.

FLORIDA EAST COAST.—R.J. Barreto, assistant to vice president-industrial development and real estate, Hialeah, Fla., has been elected assistant vice president of that department at Miami, Fla.

Charles B. Evans, general attorney, St. Augustine, Fla., appointed general counsel there.

FRENCH NATIONAL RAILROADS.—Drewes W. Tebbes appointed district sales manager of the new office at 347 Bay Street, Suite 1109, Toronto, Ont., Canada. The office will service travel agents of the provinces of Manitoba and Ontario (West of an Ottawa-Brockville line) and issue all European rail tickets, including Eurailpass and student-railpass, as well as seat and sleeping car reservations.

FRISCO.—Donald E. Engle, associate general counsel, **Burlington Northern,** appointed vice president and general counsel, **Frisco,** effective May 1, to succeed **John E. McCullough,** who becomes assistant to president.

ILLINOIS CENTRAL.—John D. Mitros, special assistant to the president, named to head a new department of Corporate Relations with responsibility for corporate communications, employee relations, press relations, suggestion activity, advertising and public relations. Mr. Mitros served in IC's public relations department from 1953 to 1962, then joined **Railway Age** as western editor for five years before returning to IC, first as manager of editorial services and then as public relations manager.

LOUISVILLE & NASHVILLE.—J. Weller Gleeson, district sales manager, Clarksville, Tenn., transferred to Jackson, Tenn., to succeed **Philip L. Saffer,** district freight agent, retired. **L.C. Brock, Jr.,** office manager, Memphis, named sales manager, Atlanta, Ga.

James R. Claxon, assistant to coal traffic manager, named assistant coal traffic manager, Louisville. **John W. Hartmann,** coal traffic agent, Chicago, appointed general coal traffic agent there. **George J. Sapikas** succeeds Mr. Hartmann.

MILWAUKEE.—C. Warren Burg, statistician, named assistant chief statistician, Chicago, to succeed **Elsie M. Hoffman,** retired. **Eugene C. Thompson** succeeds Mr. Burg.

Claire M. Barnard, staff assistant to the general manager of field sales, Chicago, named district manager of sales, Indianapolis. Mr. Barnard's successor is **LeRoy I. Larson,** sales representative, Chicago.

Lloyd H. Walleen, superintendent, Dubuque and Illinois division, Savanna, Ill., named superintendent of operating rules and special instructions, Milwaukee, to succeed **Robert L. Hicks,** retired.

Gail F. Meintzer, assistant regional manager of sales, Des Moines, Iowa, appointed regional manager of sales there. **Dean W. Cooksy,** district manager of sales, Minneapolis, becomes regional manager of sales, San Francisco.

Marie Hotton, editor, Milwaukee Road Magazine, retired Feb. 29.

MISSOURI-KANSAS-TEXAS.—G. Brian Bleakney, sales representative, Seattle, appointed manager-TOFC sales, Dallas.

NORFOLK & WESTERN.—Robert L. Fehlber, assistant vice president—traffic, Roanoke, named assistant vice president-sales, Western Region, Detroit. Western Region sales headquarters will be relocated from St. Louis and expanded to include 28 sales offices in the upper mid-west and west. Mr. Fehlber also assumes responsibility for the automotive industry formerly handled by **Joseph L. LaMonica,** assistant vice president-sales, Detroit, retired. **Aubrey T. Mason,** assistant vice president-traffic, St. Louis, named assistant vice president-staff, Roanoke. **George W. Fischer,** traffic manager, Cincinnati, appointed general manager-sales, Detroit. **Robert W. Coffey,** traffic manager, Detroit, appointed regional manager-sales, Cincinnati.

Lawrence A. Schubeck, manager-pricing, food products group, Roanoke, Va., named manager-pricing and marketing, Western Region, St. Louis, Mo. **Edward H. Stewart, Jr.,** assistant manager-pricing, promoted to manager-pricing and marketing, grain and

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AN EVANS PRODUCTS COMPANY

Circle 26 on coupon page 47

grain products group, Roanoke. **William C. Powell**, assistant manager-pricing, succeeds Mr. Schubeck. **H. Herbert Vaughn, Jr.**, assistant manager-pricing, St. Louis, named assistant manager pricing-chemical group, Roanoke.

E.F. Pat Striplin, Jr., assistant to the president, Roanoke, named director of corporate communications. The new position will involve supervision of the company's corporate design and identity program, the employee magazine and the annual report.

PENN CENTRAL.—Norman J. Hull, Jr., director–general accounting, appointed controller, Philadelphia, succeeding **Charles S. Hill**, appointed assistant to vice president-finance and accounting.

Donald A. Seiler, manager-TrailVan sales, Cleveland, appointed to the new post of manager-intermodal sales and terminal service, Intermodal Division.

The Penn Central has combined the service and equipment functions of its sales and marketing department to improve service to shippers and strengthen channels of communication with them. The new staff grouping is under overall direction of **H. Porter Morgan**, appointed director-system equipment and service. Mr. Morgan was formerly director-freight services. **Ralph E. Brown**, assistant director-freight service and special equipment allocation, appointed assistant director-equipment and service coordination. **Donald A. Washburn**, manager-service planning, named assistant director-equipment and service planning. **Paul W. Olson**, director-market planning and research, continues in that position.

Paul J. Harnish, division engineer, Cincinnati Division, appointed chief regional engineer, Metropolitan Region, New York, succeeding **William Glavin**, now chief engineer, **Grand Trunk Western**, Detroit.

Sherman C. Gibson, assistant sales manager, Pittsburgh, named manager–national accounts-metals, Pittsburgh sales area. **Ivan L. Ivy**, division sales manager, Pittsburgh, named sales manager, with jurisdiction over division and district sales offices at Pittsburgh; Youngstown and Steubenville, Ohio; Altoona and Williamsport, Pa., and Elmira-Corning, N.Y.

Gerald L. Wendorf, district sales manager, Altoona, Pa., appointed to the new post of manager-intermodal sales and terminal service, Intermodal Division, Pittsburgh. **Harry E. Williamson**, district sales manager, Pittsburgh, transferred to Altoona.

Fred R. Shafer, vice president-operations, **Pennsylvania Truck Lines**, appointed assistant vice president-mail and TrailVan operations, PC, Philadelphia, succeeding **William F. Kirk**, retired.

Bradford E. Cole, superintendent of labor relations, Cleveland, appointed superintendent, labor relations and personnel, Metropolitan Region, succeeding **Kenneth F. Schwab**, transferred to Philadelphia.

READING.—F.G. Fisher, vice president-operation and maintenance, Philadelphia, appointed vice president-reorganization planning. **F.J. May**, assistant to president, named vice president-operation and maintenance. **James E. Frick**, general attorney, succeeds Mr. May as assistant to president.

ROCK ISLAND.—George H. Voss, assistant general manager, retired Mar. 1 after 42 years of service.

ST. LOUIS SOUTHWESTERN.—J.C. Presswood appointed general traffic representative, Dallas.

SANTA FE.—Fred I. Burchett, superintendent of shops, San Bernardino, Calif., named mechanical assistant-locomotives, Chicago.

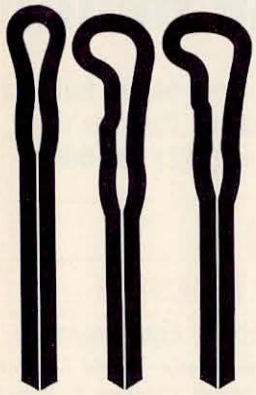
SEABOARD COAST LINE.—A.M. Scarpa, W.E. Adelof, Jr., and **I.E. Carter** appointed general agents at New York.

SOO LINE.—Gilbert A. Gillette, superintendent of transportation services, named assistant general superintendent. **George W. Carr**, assistant to the general superintendent, named director of transportation operations. Mr. Carr's successor is **Harry A. Peterson**, formerly associated with the **Chicago & North Western**. **Thomas Kopriva**, manager of TOFC/COFC operations, becomes director, transportation equipment. **Dennis M. Cavanaugh**, industrial engineer, appointed director, transportation planning. **Lee L. Schiestl**, assistant superintendent of transportation, named manager, car control.

A Data Systems Department has been created within the Executive Department to consolidate functions formerly handled by the Operating Data Systems and Integrated Data Processing Departments. **Robert R.**

(Continued on page 62)

Bethlehem
lock spikes



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How many Repair Cards are rejected each month? To reduce that number, sign up for our new home study course for Write-Up Men.

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The cost is $3.00 per lesson ($45.00 total) and includes a 1972 Field Manual, grading of all examinations and monthly progress report to your Railroad.

Upon satisfactory completion of the course, a diploma will be issued.

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Market Outlook

CARLOADINGS

Loadings of revenue freight in the week ended April 8 totaled 494,785 cars, according to the Association of American Railroads. This was an increase of 7,208 cars, or 1.5%, compared with the previous week, and a decrease of 8,823 cars, or 1.8%, compared with the corresponding week last year. Ton-miles generated by carloadings in the week ended April 8 are estimated at 14.8 billion, a decrease of 0.1% below the corresponding week of 1971.

REVENUE FREIGHT CARLOADINGS

Commodity	Apr. 8 week	Apr. 1 week
Grain	23,883	21,205
Farm products	9,562	9,461
Metallic ores	21,678	20,127
Coal	92,458	94,169
Crushed stone, gravel & sand	25,844	24,841
Nonmetallic minerals	9,401	9,532
Grain mill products	18,030	16,648
Food and kindred products	22,994	23,720
Primary forest products	24,694	22,830
Lumber & wood products (except furniture)	17,654	18,099
Pulp, paper & allied products	22,464	23,966
Chemicals & allied products	31,302	30,266
Petroleum products	8,935	8,392
Stone, clay & glass products	21,072	20,621
Coke	8,663	7,387
Metals & products	24,589	25,818
Motor vehicles & equipment	25,068	24,019
Waste & scrap materials	15,081	14,381
Forwarder & shipper assn. traffic	6,019	6,192
All other carloads	64,913	66,485
LCL	481	512
Total cars loaded	**494,785**	**488,671**
Cumulative total, 14 weeks	1972	1971
	6,652,222	**6,948,969**
Estimated revenue ton-miles (billions) 14 weeks	200.0	199.8

PIGGYBACK LOADINGS

U.S. piggyback loadings for the week ended April 1 totaled 23,838 cars (0.5% above the corresponding week last year) and 40,210 trailers or containers (up 2.7% from 1971). Cumulative volume for the first 13 weeks of 1972 is 309,301 cars (up 3.0% from last year) and 519,141 trailers or containers (up 7.6% from 1971). In addition to freight, 2,358 cars carrying 3,789 trailers or containers of mail and express traffic were handled piggyback. Cumulative figures for the first 13 weeks of 1972 are 32,297 cars (down 27.4% from the 1971 total, and 50,801 trailers or containers (down 23.5% from 1971).

IN CANADA

7 days ending	Tons of Revenue Freight	Cumulative Totals
March 21, 1972	3,979,261	40,667,712
March 21, 1971	3,574,502	39,162,515

FREIGHT-TRAIN CARS

● *Penn Central.*—Will acquire, by lease, 250 70-ton box cars to be built by Fruit Growers Express, and 100 newly designed, 100-ton Flexi-Flo covered hopper cars to be built by General American. All are scheduled for delivery this summer.

● *Trailer Train.*—Ordered 338 89-ft 4-in. standard-level cars as follows: from Amcar Division of ACF, 129; from Bethlehem Steel, 112; from Pullman-Standard, 97. This brings to 526 the number of cars ordered by TTX since Jan. 1. As of April 4, TTX had 59,884 cars in service or on order.

LOCOMOTIVES

● *Erie Lackawanna.*—Ordered 26 3,600-hp. diesel-electric freight units. Electro-Motive will supply 13 SD-45-2 units, and General Electric will build 13 U 36-C units. Delivery is scheduled for October and November.

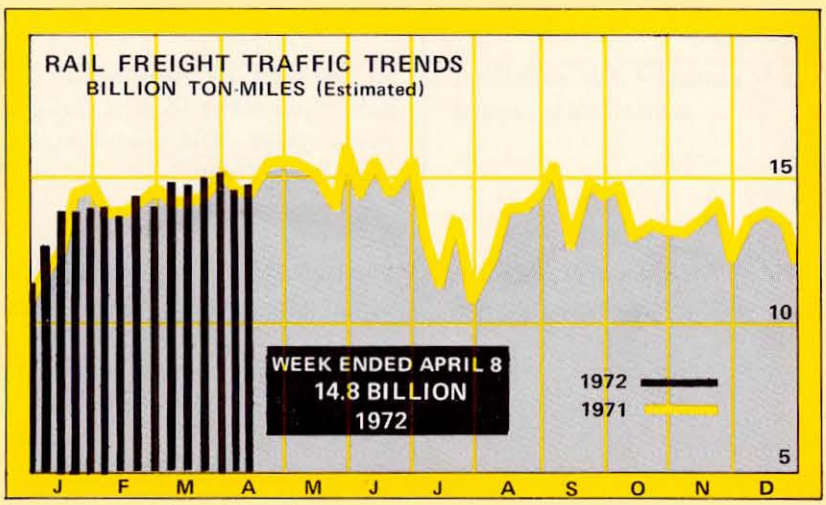
FOREIGN

● *Portuguese Railways.*—Bought 14 locomotive modernization kits from Alco Engines Division of White Industrial Power, Inc., at a cost of $2,306,000. The Export-Import Bank has authorized a loan to partly finance the sale.

NEW FACILITIES

● *Canadian National.*—Has called tenders for construction of a new diesel load testing building immediately south of the Transcona, Man., motive power shop.

● *Norfolk & Western.*—Is installing a $7.8-million twin computer system to replace four computers now in use. The new units, IBM Model 370/165's, are rated three times faster than N&W's present 360/65 models, in use since 1967. Improved features of the new units will be particularly helpful in connection with the road's car-movement-control system.



Source: Association of American Railroads

Moving Freight

PC piggyback traffic moves sharply upward

Penn Central's TrailVan piggyback traffic jumped 16.3% in March and almost 12% for the first 1972 quarter, compared with the comparable periods last year. The sharp increases—according to Roy L. Hayes, assistant vice president-intermodal—reflect the initial success of the PC's plan to greatly increase highway-trailer and container-on-flatcar service, traffic and revenues. "Progress toward our goals is most encouraging," he said. "In January, when we were just getting organized, we showed an increase in TrailVan volume of 3.6%. In February, the increase was 15.5%." The March increase, Hayes pointed out, occurred despite the fact that Good Friday—a holiday for many industries—fell in this year's month but not in March 1971. PC is "making extraordinary efforts to develop more piggyback business by fully exploiting the lower costs inherent in moving containers and trailers by rail," the PC officer emphasized.

"Mini bridge" service cuts transit time

Penn Central and Sea-Land Service Inc. have announced establishment of a "mini bridge" container service that is said to cut up to six days from the all-water transit time of shipments between Europe and the West Coast. The entire trip is scheduled for 12 days compared to 18 or more days needed to cross the Atlantic, pass through the Panama Canal and proceed to West Coast ports. Penn Central delivers the containers to Santa Fe at Streator, Ill. Santa Fe moves the shipment to either Oakland or Los Angeles. Rail delivery after the ocean voyage takes five days. A single bill of lading covers the movement.

N&W opens new intermodal piggyback facility

The Norfolk & Western has opened a new $55,000 intermodal piggyback facility at Charleston, Ill. The 2 1/2-acre facility, adjacent to Trailmobile, Inc.'s new plant, is parallel to N&W's main line. The new facility is designed to serve the immediate Charleston area and south-central Illinois and western Indiana. Through interchange agreements with other rail and truck lines, freight from the facility can be directed throughout the nation. The connections also permit transporting marine containers to any part of the world via steamship lines. The new operation has eight car-loading positions, enough to handle 16 trailers at a time. Also, more than 100 trailers can be parked at the new location.

CN equipment acquisitions set half-year record

In the first six months of 1972 Canadian National will receive more new equipment than it has placed in service in a comparable period for many years. The road's current orders involve $39 million for almost 2,000 new freight cars and $14 million for 36 freight locomotives.

Realco will perform WP trailer maintenance

Western Pacific and Realco Service have come up with a new approach to an old problem with an agreement under which Realco will handle all TOFC trailer inspection and maintenance at WP's principal TOFC terminal in Oakland, Cal. Realco personnel are to conduct inbound and outbound on-car inspections and maintain daily inventories of equipment available for loading. They will also handle mechanical inspection, service and maintenance to insure all trailers in WP service meet both shipper requirements and those set by industry and government.

Southern Pacific pulls a fast one for you.

(We operate more run-throughs than any other western railroad. Up to 44 a day.)

Southern Pacific began operating time-saving run-through trains when they were still a brand new idea. In fact, it was Southern Pacific who helped pioneer the idea in the first place. Southern Pacific also helped introduce the use of computerized pre-blocking techniques that make it all possible.

Now, with the cooperation of other roads, Southern Pacific moves your shipments right through many busy interchange points and large classification yards, barely pausing long enough to change crews. No time lost changing locomotives. No delays for break-up and reclassification.

Which all means your shipments get where they're going a lot faster.

When you need to save time on your cross-country shipments, Southern Pacific will pull through for you.

The power goes through, only the crews change—fast.

Southern Pacific

—the transportation company that does things first.

(Continued from page 58)

Dickinson, director of operating data systems, named director of data systems to head the new department. **Wilbur J. Olson**, manager of revenue accounting and data processing, appointed manager of computer operations. **Robert A. Schreyer** named manager, on-line systems and programming, and **Joe G. Perzel**, manager, off-line systems and programming. Messrs. Schreyer and Perzel were formerly integrated data processing specialists.

WESTERN MARYLAND.—**R.R. Gunderson**, chief engineer, Baltimore, Md., appointed assistant vice president—engineering there. **C.L. Robinson**, engineer maintenance of way, Hagerstown, Md., appointed chief engineer there. Other appointments at Hagerstown: **S.W. George**, engineer maintenance of way; **C.M. Diehl**, assistant to chief engineer; **R.V. Bowers**, administrative engineer; **R.R. Snyder**, clearance engineer; **L.L. Keys**, assistant engineer; **E.J. Rupinski**, budget analyst and **R.F. Miller**, chief clerk to chief engineer. **C.W. Cosner** appointed supervisor of track, Elkins, W. Va.

SUPPLY TRADE

John R. Bell has been appointed manager of news relations and advertising, **Electro-Motive Division of General Motors**. He was formerly public relations representative, **Field Enterprises, Inc.**

Ernie Christoph has been appointed sales manager-transit equipment, **Vapor International Division, Vapor Corp.**

Verne C. Kennedy, Jr. has been named general manager, railway products division, **PORTEC inc.** He was formerly president, **Hayek Engineering Co. Inc.**, Chicago.

Ronald F. Harris has been appointed vice president-manufacturing, **Castings Division, General Steel Industries, Inc.** He was formerly works manager, **Castings Division.**

Howard W. Hinton has been named transportation sales engineer, **LFM-Atchison Division, Rockwell Manufacturing Co.**

OBITUARY

Peter C. Benedict, 45, who was named a member of the **National Mediation Board** by President Nixon last August, died April 13 after a fire in his family home in Fair Haven, Vt. Benedict formerly was minority counsel of the Senate Labor and Public Welfare Committee's Labor Subcommittee.

W.T. Capps, 79, manufacturers representative, **Railroad Supply & Equipment, Inc.**, died March 31 at Virginia Beach, Va.

Leo T. Crowley, 82 former board chairman, **Milwaukee**, died Apr. 15 in St. Mary's Hospital, Madison, Wis.

Lloyd J. Kiernan, 76, retired chief executive officer, **Boston & Maine**, and a former AAR executive, died March 27 in Florida.

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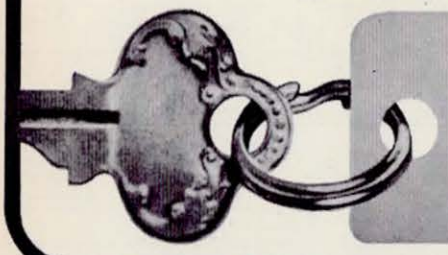

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Viewpoint

From hassle to harmony: A beginning

If you want to put the rail-management labor scene in some kind of perspective, consider the case of the young man who got through high school in the 1950's, served his time in the Army, and then—in 1959—signed on with the railroad. That "young man" is now over 30. He has 13 years' seniority. And, for his entire railroad career to date, management and the operating unions have been in one virtually continuous hassle over one big set of issues—work rules. Our over-30 youngster has never really seen a time when the company's managers and its employees worked in harmony.

Now, add to this scene the fact that for much of this time railroads have been in financial difficulty—rather desperately needing money for vital improvement programs as well as for paying successive rounds of wage increases. Cost-cutting has had to be the order of the day. And the heroes, all too often, were the supervisors who could cut fastest, deepest.

The wonder isn't that morale has sagged. The wonder is that morale hasn't collapsed completely among both managers and employees. The wonder is that there haven't been more breakouts, more slowdowns, more wildcats than there have been.

Union leaders have been quick to charge management with foul play, with sharp tactics, with twisting agreements. UTU President Al H. Chesser, in this issue of Railway Age, is bitter in his condemnation of what he regards as all-too-common practices in the field relations between management and labor.

But management people, too, have been worrying—because they, too, are aware that conditions are far from perfect. Chesser himself gives good marks to a couple of roads for what they are trying to do to make things better. And, coincidentally, Union Pacific President John C. Kenefick just a few days ago outlined his road's thinking, in terms that leave little doubt as to what UP wants to do.

Over the years, Kenefick noted, "railroad/labor management relations have stagnated. For too long we have relied on one-way arbitrary communications with little or no room for feedback. Labor and management have polarized themselves, and too often become warring factions. Fortunately, today most railroad managements recognize that we can no longer afford an antagonist relationship with the people who perform the service we sell. We have begun to talk with our people, but this is a small first step. Union Pacific will soon undertake a major program to root out the irritations that have been allowed to build up over the years in labor/management relations. We are planning more intensive communication processes right at the point where these difficulties begin. We will couple that with a speed-up handling program. In this way, we hope to disarm the little irritations in delays over minor disagreements which too often become major problems affecting the whole system."

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Right on, John Kenefick, right on. There are, perhaps, no tougher and no more-thankless jobs than those performed by managers and union officers down in the ranks. And this is the kind of sound leadership at the top that is needed from both sides—to develop harmony at a time when it was never needed more.

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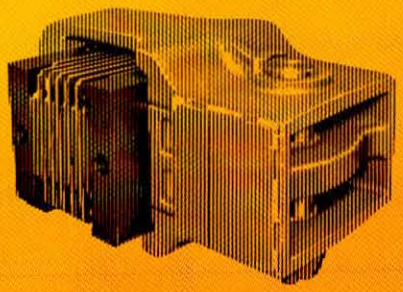

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